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Finance Committee Report

Under the

Congressional Budget Act

Prepared by the Staff for the Use of the

COMMITTEE ON FINANCE
UNITED STATES SENATE

BOB PACKWOOD, *Chairman*

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SUMMARY: IMPACT OF CONGRESSIONAL BUDGET ACT ON FINANCE COMMITTEE

The Congressional Budget Act of 1974 (titles I–IX of Public Law 93–344), provides the mechanisms and procedures for Congress to establish its own annual Federal budget and to consider spending, revenue, and debt limit legislation in the context of that budget. The provisions of the act have a number of effects on the consideration of legislation handled by the Committee on Finance. The major provisions affecting the Finance Committee are the following:

1. By March 15 of each year, the Finance Committee must submit a report to the Budget Committee estimating the effect that Finance Committee legislation will have on expenditures, revenues, and the debt limit during the next fiscal year, and presenting the committee's views and estimates with respect to revenues and the debt limit. (Last year's report appears in Appendix A.)

2. Certain kinds of legislation have to be handled before specific dates. Revenue and debt limit legislation for the upcoming fiscal year, and legislation increasing expenditures in such areas as social security and welfare, cannot be considered by the Senate before May 15. However, procedures are provided for waiving these restrictions, ordinarily by obtaining Budget Committee approval of a resolution permitting immediate Senate consideration. Authorizing legislation must be reported before May 15.

3. If the Finance Committee reports legislation affecting welfare, medicaid, social services, and other non-trust-fund entitlement programs, and it exceeds the amount budgeted in the most recent concurrent budget resolution, the legislation is to be referred to the Appropriations Committee for 15 days.

4. By May 15, Congress completes action on a first concurrent budget resolution for the coming fiscal year setting appropriate revenue, spending, and deficit levels. While the amounts shown in this first resolution are not binding in the sense that they can subject a bill to a point of order, they are intended to serve as overall guidelines in the consideration of revenue and spending legislation.

5. In September of each year, Congress debates and adopts a concurrent resolution setting appropriate spending, revenue, and debt limit levels for the coming fiscal year. The resolution can direct the Finance Committee to report legislation raising taxes or cutting back on spending programs within the committee's jurisdiction. The overall spending and revenue totals in the second resolution are binding.

CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974 (PUBLIC LAW 93-344)

1. Overall View

OUTLINE OF CONGRESSIONAL BUDGET PROCESS UNDER PUBLIC LAW 93-344

On April 15 of each year, the Budget Committees of the House and Senate report to their respective Houses a concurrent resolution which is, in effect, a congressional budget document setting forth appropriate levels for spending, revenues and public debt for the coming fiscal year. The spending levels are broken down into functional categories (such as "health," "income security," "national defense"). The recommendations in the resolution reported by the Budget Committee are subject to debate and amendment. When agreed to by the House and the Senate (by May 15), the resolution represents congressional judgment of the appropriate fiscal situation for the coming year, although the amounts set forth in it are not binding.

After the May 15 adoption of the concurrent resolution, action on spending and revenue bills proceeds through early September. In the first half of September, a second concurrent resolution on the budget is considered by the Congress, which revises or reaffirms the earlier resolution and which can direct the appropriate committees to report legislation changing spending, revenue, or debt limit levels (or any combination of the three). Upon adoption of the resolution, committees directed to do so are to report the legislation called for by the resolution, and this legislation is then debated by Congress as part of a "reconciliation bill." Public Law 93-344 calls for action on this reconciliation bill to be completed by September 25, 5 days before the start of the new Federal fiscal year, which will run from October 1 to September 30.

WAIVER OF RULES REGARDING BUDGET PROCEDURE

All the rules applicable to Senate procedures under the Congressional Budget Act can be suspended by a majority vote of the Senate. In addition, the act includes a special waiver procedure in connection with the provisions requiring that authorization bills not be acted on after May 15 and that revenue, debt limit, and spending bills (including social security, welfare, etc.) not be acted on before May 15. If a committee wished to have such legislation considered outside of the prescribed time, it would report out a resolution providing for a waiver of the rule. This resolution would be referred to the Budget Committee, which would have 10 days in which to consider and make its recommendations with respect to the waiver. Once the resolution is approved by the Budget Committee (or after 10 days in any case), the resolution of waiver would be

voted upon by the Senate, and, if it is approved, the Senate could proceed to consider the legislation.

2. Impact of Public Law 93-344 on Finance Committee

LEGISLATION WHICH RESULTS IN ADDITIONAL FEDERAL SPENDING

Annual report to Budget Committee.—Each year, prior to the consideration of the first concurrent resolution on the budget, each committee is required to make a report to the Budget Committee estimating the amount of additional Federal spending during the coming fiscal year which will result from legislation under the committee's jurisdiction. By statute this report is due no later than March 15. In recent years, the Budget Committee has sent letters to each committee requesting that views also be provided with respect to the 5-year budgetary outlook.

Report after adoption of concurrent budget resolution.—The conference report on each budget resolution allocates the outlay and budget authority totals among the various committees. Each committee is then required, after consultation with the appropriate counterpart committee in the House of Representatives, to subdivide its allocation of new budget authority and outlays among the programs under its jurisdiction (or among its subcommittees). These allocations subsequently serve as the basis for scorekeeping reports and for judging whether particular legislative proposals are consistent with the budget resolution.

Limitation on consideration of spending bills.—The Congressional Budget Act provides that bills involving entitlement programs (such as welfare or medicaid) and bills directly increasing budget authority (such as social security or unemployment insurance) may not be considered in the Senate prior to the adoption of the first concurrent budget resolution. This requirement may be waived under the special waiver procedure or by a majority vote of the Senate to suspend this rule. The act also requires that action on legislation of this type be completed by the seventh day after Labor Day. In addition, entitlement legislation (other than trust fund legislation) reported after January 1 of any year may not have an effective date prior to October 1 of that year.

Deadline for reporting authorizing legislation.—Legislation which authorizes appropriations (but does not necessarily require them) has to be reported by May 15 preceding the fiscal year for which the appropriations are authorized. (The act includes a procedure under which this deadline may be waived by Senate resolution; the rule may also be suspended by a majority vote of the Senate.) The Committee on Finance has jurisdiction over some programs which fall in this category, such as grants to States for child welfare services and for maternal and child health. However, if such authorizations are included in social security trust fund bills (which may not be reported prior to May 15), this provision does not apply.

Impact of concurrent budget resolutions on legislation.—The first concurrent resolution, which is to be passed by May 15, sets targets for spending in various areas. A second concurrent resolution is to be passed in mid-September, and this resolution not only sets appropriate spending levels but may direct the committees having jurisdiction over spending legislation to report measures to rescind

previously enacted spending authority so as to bring spending for the coming fiscal year within the levels determined to be appropriate. In the case of the Committee on Finance, this may include a requirement that the committee report legislation to defer or reduce benefits under entitlement programs, including both trust fund programs (such as unemployment insurance or social security) and non-trust-fund programs (such as welfare, social services or medicaid).

After the beginning of a fiscal year, new spending measures for that fiscal year would be subject to a point of order if they would cause the spending limits in the concurrent resolution passed just before the beginning of that year to be exceeded. In the case of the Committee on Finance, this limitation would apply to entitlement legislation dealing with both trust fund and non-trust-fund programs. (A new concurrent resolution could, however, be passed to authorize such additional spending, or the rule could be suspended by a majority vote of the Senate.)

While the budget totals included in the first resolution are in the nature of targets and are not strictly mandatory, they tend to establish fairly firm guidelines within which the Congess considers legislation affecting revenues and spending. Thus, if unrealistic assumptions or objectives are used in setting first resolution totals, committees may subsequently find their ability to act on desired legislation impaired.

Appropriations Committee review of entitlement bills.—Legislation in such areas as supplemental security income, welfare, social services, or medicaid creates an entitlement to payments on the part of individuals or State or local governments even though these programs are funded through appropriations acts. The Congressional Budget Act requires that any future legislation which would create new entitlement programs or increase existing ones must be referred to the Appropriations Committee for a period of 15 days after it is reported by the substantive committee, if its enactment would exceed the amount provided for in the most recent budget resolution. The Appropriations Committee could not recommend any substantive changes in the legislation (e.g., lower individual benefit amounts), but it could recommend an amendment to limit the total amount of funding available for the legislation. If such an amendment is approved by the Senate, the substantive committee might have to propose a further amendment to conform the legislation to that funding limit.

The requirement of referral to the Appropriations Committee would not apply to legislation affecting existing Social Security Act trust fund programs or other trust fund programs substantially funded through earmarked revenues. It would also not apply to legislation amending the general revenue sharing program to the extent that such legislation included an exemption from that requirement.

In the past, refundable tax credits were treated for purposes of the congressional budget process as revenue reductions. Under revised procedures adopted in 1978, the budget process now treats the refundable aspects of such credits as "outlays" thus bringing them within the scope of the above described provisions related to Appropriations Committee review of entitlement bills. In addition, the

authority previously used for disbursing the refundable part of tax credits has been the permanent appropriation for tax refunds. This permanent appropriation was amended in 1978 so as to require annual appropriations for this purpose. The text of the provision reads as follows:

> "No disbursement may be made from the appropriation to the Treasury Department entitled 'Bureau of Internal Revenue Refunding Internal-Revenue Collections' except (a) refunds due from any credit provision of the Internal Revenue Code enacted prior to January 1, 1978.". (Sec. 304, P.L. 95-355.)

Report on spending legislation.—The Budget Act requires the committee, in reporting legislation involving increased spending, to include in the report information showing how that spending compares with the amount of spending provided for in the most recent concurrent budget resolution and showing the extent to which the legislation provides financial aid to States and localities. In addition, the report is required, to the extent practicable, to provide a projection for five fiscal years of the spending which will result from the legislation.

LEGISLATION RELATING TO REVENUES AND DEBT LIMIT

Annual report to the Budget Committee.—The March 15 annual report to the Budget Committee which is described above also must, in the case of the Finance Committee, present its views and estimates with regard to revenues and the debt limit.

No revenue legislation prior to May 15.—Under the Budget Act, debt limit or revenue legislation for the upcoming fiscal year is not in order for consideration by the Senate (or House) prior to the adoption of the first concurrent resolution on the budget. This rule would not prevent action on revenue changes to be effective in years after the upcoming fiscal year. (A procedure for waiving this limitation is provided for; the rule could also be suspended by a majority vote of the Senate.)

The exact wording of this provision of the Budget Act is not entirely clear. In 1978, the Senate Budget Committee adopted the position that this restriction required that there be no increase or decrease in revenues to become effective in the next fiscal year for which no budget resolution had been adopted. In other words, under this interpretation, there would always be one "closed year" for which no revenue change could be considered. Consequently, a point of order was raised during the consideration of the 1978 tax cut bill (H.R. 13511) against an amendment by Senator Roth on the grounds that it provided for a revenue change effective in fiscal year 1980. (The first budget resolution for fiscal year 1980 would not have been adopted until approximately May 15, 1979.) The position of the Finance Committee was that this restriction in the Budget Act only applied from the beginning of the calendar year, when the process of developing the fiscal 1980 budget resolution has begun. Once that resolution has been approved, revenue changes may be considered throughout the remainder of the calendar year which would be effective for the fiscal year to which the resolution applies and for any future fiscal year.

The point of order raised by the Budget Committee was sustained by the Chair, but the ruling of the Chair was overturned by the Senate on a vote of 38 to 48. This occurred on October 5, 1978.

Impact of budget resolution.—As with spending measures, the first concurrent resolution adopted in mid-May sets targets with respect to revenue and debt limit legislation, and the second concurrent resolution in September may direct the Committee on Finance to report legislation to achieve the changes in aggregate revenues or in the debt limit which the Congress determines to be appropriate. Such legislation would have to be reported in time to be included in the reconciliation bill which would be acted upon before the October 1 start of the fiscal year. Once a second resolution on the budget is adopted by the Congress, any legislation which would cause the total revenues to be reduced below the level specified in the budget resolution would be subject to a point of order. If the second budget resolution sets a revenue target which exactly matches the projected revenues under existing law (or any expected modifications to existing law), even minor bills having nearly negligible revenue impacts can be rejected on a point of order. As indicated above in describing the impact of the resolution on spending legislation, even the "nonmandatory" first resolution tends to be given great weight in the actual consideration of legislation. Thus, if the first resolution includes unrealistic revenue goals, the committee may face difficulties in the consideration of any revenue legislation.

Required report on tax expenditures.—The Budget Act defines the term "tax expenditures" to include any revenue losses attributable to tax provisions such as income exclusions, tax credits or deferrals, or preferential tax rates. The law requires that the committee report accompanying legislation to provide new or increased tax expenditures include information as to how such legislation will affect the level of tax expenditures under existing law. The report will also have to include (to the extent practicable) a projection of the tax expenditures resulting from the legislation over a period of five fiscal years.

CHARTS AND DESCRIPTION

Chart 1

Report to Budget Committee

Views and estimates of Finance Committee on:

1. Expenditures
2. Revenues
3. Tax expenditures
4. Public debt

Relating both to existing law and proposals to change existing law

Chart 1

Report to Budget Committee

Under the Congressional Budget Act of 1974, the Committee on the Budget is required by April 15 of each year to report to the Senate a concurrent resolution on the budget which is, in effect, a proposed congressional budget document setting forth appropriate levels of Federal expenditure and revenue, surplus or deficit, and related matters. To assist the Budget Committee in making the judgments necessary to develop such a budget, the Act also mandates that each committee send to the Budget Committee its views and estimates on those aspects of the budget which fall within its jurisdiction. This report is due by March 15 of each year.

In the case of the Committee on Finance, the report to the Budget Committee must cover the expenditure programs under Finance Committee jurisdiction which are listed on chart 3, Federal revenues, tax expenditures, and the public debt. With respect to each of these matters, the committee is required to provide its views and estimates as to the levels anticipated under existing law or under any changes to existing law which the committee expects. The period to be covered by the report to the Budget Committee is fiscal year 1986 (October 1985 to September 1986). The Budget Committee has requested that committees also include their views on the 5-year budgetary outlook. The report sent to the Budget Committee last year is reprinted in Appendix A.

Section 301(c) of the Budget Act, which deals with the March 15 report to the Budget Committee, is included in the excerpts from that Act which appear in Appendix B.

Chart 2.—ECONOMIC ASSUMPTIONS

[Calendar years; dollars in billions]

	1985	1986	1987	1988	1989	1990
Gross national product (GNP):						
Current dollars	$3,948	$4,285	$4,642	$5,017	$5,399	$5,780
Constant (1972) dollars	$1,702	$1,771	$1,841	$1,915	$1,989	$2,061
Percent change in real GNP	3.9	4.0	4.0	4.0	3.9	3.6
Personal income	$3,241	$3,483	$3,747	$4,019	$4,312	$4,596
Wages and salaries	$1,921	$2,065	$2,237	$2,425	$2,624	$2,824
Corporate profits before tax	$242	$286	$336	$360	$377	$396
Percent change in CPI	4.1	4.3	4.2	3.9	3.6	3.3
Unemployment rate, annual average (percent)	7.0	6.9	6.6	6.3	6.1	5.8
Treasury bill rate (91-day) (percent)	8.1	7.9	7.2	5.9	5.1	5.0

Chart 2

Economic Assumptions

The March 15 report to the Budget Committee that is required by the Congressional Budget Act of 1974 represents the Finance Committee's views as to revenues, expenditures and other budgetary matters for the coming fiscal year both under existing law and under any anticipated changes.

The level of these items, however, is affected not only by legislation but also by various economic factors concerning which there reasonably may be differences of opinion. These differences can reflect divergent viewpoints as to how the economy will operate and as to the type of legislation that may be enacted and its effect on the operations of the economy.

Different programs are particularly sensitive to different aspects of the economy. For example, expenditures under social security are sensitive to the Consumer Price Index (CPI) since that program includes an automatic cost-of-living increase provision. The unemployment insurance program does not incorporate such a provision but is, of course, particularly sensitive to the amount of unemployment.

Revenues, similarly, are strongly affected by the level of personal income and of corporate profits, and, in the case of payroll tax revenues, by wages and salaries. In addition, trends in interest rates and the rate of inflation affect the cost of interest on the public debt.

This chart presents a selection of the most significant economic indicators as taken from the President's budget for fiscal year 1986.

Chart 3

Major Expenditure Programs Under Finance Committee Jurisdiction

1. Social security cash benefits (see chart 4):
    A. Old-age and survivors insurance (OASI)
    B. Disabiiity insurance (DI)
2. Unemployment compensation (UC) (see chart 5)
3. Welfare programs for families (see chart 6):
    A. Aid to families with dependent children (AFDC)
    B. Work incentive program (WIN)
    C. Child support enforcement (CSE)
4. Social services (see chart 7)
5. Supplemental security income (SSI) for the aged, blind, and disabled (see chart 8)
6. Health programs (see charts 9–11):
    A. Medicare
    B. Medicaid
    C. Maternal and child health (MCH)
7. Revenue sharing (see chart 12)
8. Interest on the public debt (see chart 12)

Chart 3

Major Expenditure Programs Under Finance Committee Jurisdiction

This chart lists the major programs involving an expenditure of Federal funds which come within the legislative jurisdiction of the Committee on Finance. Each of these programs is covered in more detail in the following charts. Interest on the public debt is included as an expenditure program since it does constitute a significant part of the Federal budget even though the level of expenditure is not subject to legislative control in the same sense as expenditures under the other programs listed.

Under a revision in the Congressional budget procedures adopted in the 95th Congress, refundable tax credits are treated as revenue items insofar as they serve to reduce tax liability and as "outlay" items insofar as they exceed tax liability. Because such provisions are in fact considered by the committee and the Congress in the context of revenue legislation, however, they are discussed in this document at the same point as other revenue items. The refundable tax credit having significant budgetary impact in fiscal year 1986 is the earned income tax credit.

Chart 4.—SOCIAL SECURITY CASH BENEFIT (OASDI) TRUST FUNDS

[In billions of dollars]

	Fiscal year—					
	1985	1986	1987	1988	1989	1990
Present Law:[1]						
Income to trust funds	197.3	211.5	229.9	263.8	291.5	322.7
Outgo from trust funds	191.0	202.3	216.1	230.5	245.4	260.8
Difference	+6.3	+9.2	+13.8	+33.3	+46.1	+61.9
Repayment of interfund loan to HI [2]	−1.4	−4.8	−6.2	.....	.....	.....
End of year balance in trust funds	37.1	41.5	49.0	82.2	128.4	190.3
Trust fund ratio [3]	23	25	26	28	41	57

[1] These are projections under current law based on the economic and demographic assumptions underpinning the President's fiscal year 1986 budget.

[2] The only loan outstanding under the interfund borrowing authority was made in 1982, amounting to $12.4 billion. Under these assumptions, the $6.2 billion transfer to HI made in fiscal year 1987 would be the final repayment of that loan.

[3] Assets at the start of the year as a percentage of outgo during the year, including outstanding loans from HI and advances made to trust funds for expected tax receipts in January of each year.

Source: SSA, Office of the Actuary, February 4, 1985.

Chart 4

Social Security Cash Benefit (OASDI) Trust Funds Financial Status and Effect on the Budget

The social security cash benefit programs, Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI), provide income protection to people who work in employment covered by social security and earn a certain minimum number of "quarters of coverage." The OASI program pays benefits to eligible workers age 62 or older and their spouses and children, and to surviving spouses and children of deceased workers. The DI program pays benefits to disabled workers and to their spouses and children.

The Administration estimates that on average in fiscal year 1986, 22.6 million people age 62 and older, and 3.6 million of their dependents, will receive monthly social security retirement benefits. About 7.2 million people will receive benefits because they are survivors of deceased workers. Some 3.9 million people will receive benefits as disabled workers or as dependents of disabled workers. In total, approximately 37.3 million people will be receiving some type of monthly social security cash benefit.

The status of the trust funds.—During 1983, the Congress enacted major social security financing legislation in response to the deteriorating financial condition of the OASDI trust funds. The legislation included provisions that would slow projected growth in expenditures and increase income. In 1984, legislation was enacted modifying procedures for continuing disability reviews. This legislation increased projected expenditures from the DI trust fund.

The President's budget projections under current law for the next 5 years continue to reflect an improving financial outlook for the OASDI trust funds with the combined trust reserve ratio growing from 23 percent at the beginning of fiscal year 1985 to 57 percent at the beginning of fiscal year 1990. In addition, the projections anticipate repayment, by early fiscal year 1987, of the entire $12.4 billion loan made from the HI trust fund to the OASI trust fund in 1982.

However, a reserve ratio in the 20 to 30 percent range, as projected for the next 3 years, is not so large that renewed financing problems are impossible. As with other sets of projections made over the past few years, the President's current budget projections anticipate a strong and steadily growing economy. If the economy were to falter during this period, the reserve of Federal securities held by the OASDI trust funds could be significantly eroded.

The projections also assume that an automatic benefit increase will be triggered under current law in every year in the 5-year projection period, and that the trust fund reserve will be high enough to avoid triggering the "stabilizer" provision under which benefit

increases would have to be based on the lower of the rise in wages or prices.

The following table displays the economic assumptions underlying the President's budget as they relate to the OASDI program.

ADMINISTRATION'S ECONOMIC ASSUMPTIONS RELATED TO SOCIAL SECURITY

[In percent]

	Calendar year—						
	1984	1985	1986	1987	1988	1989	1990
Percent change in CPI	3.4	4.1	4.3	4.2	3.9	3.6	3.3
Benefit increase[1]	[2]3.5	[2]3.5	4.1	4.3	4.1	3.9	3.6
Real wage differential	1.6	0.1	2.0	2.6	3.0	3.6	3.1
Civilian unemployment rate	7.5	7.1	6.9	6.7	6.4	6.2	5.9

[1] Benefit increase payable in January of the specified year.
[2] Actual.

The impact of OASDI on the budget.—While the President's budget projects that income to the OASDI trust funds will exceed outgo by $6.3 billion in fiscal year 1985 and $9.2 billion in fiscal year 1986, this does not represent the program's effect on the budget. The OASDI trust funds receive some of their income from the General Fund of the Treasury for such things as interest on investments and gratuitous military wage credits. These intragovernmental transfers to the trust funds do not provide revenue to the Government. From a budgetary perspective, in fiscal year 1985 OASDI outgo is projected to exceed tax receipts by $2.6 billion. In fiscal year 1986, OASDI tax receipts are projected to exceed outgo by $1.4 billion.

The following table shows the actual and projected impact of the OASDI program on the budget for the period from 1980 to 1990.

IMPACT OF OASDI PROGRAM ON THE BUDGET (Revenues less Outgo)

[In billions of dollars]

In fiscal year—										
1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
−5.3	−9.4	−12.5	−23.1	−11.4	−2.6	+1.4	+4.8	+22.6	+32.8	+46.7

Social Security Cash Benefit Programs (OASDI): Proposed Legislation

Deposit of social security payroll taxes for covered employees of State and local governments.—The President's budget for fiscal year 1986 includes a proposal which would increase social security (OASDHI) revenues. States currently are required to make deposits twice a month of social security contributions (technically they are

not considered taxes) on their own behalf and for sub-State entities, and they are liable for all such payments under agreements with the Social Security Administration (SSA). Private employers are required to make tax payments under a schedule that generally relates the frequency of deposits to the amount of taxes withheld. Large employers may make deposits as frequently as once a week, while small employers may make them as infrequently as once every three months.

The Administration's proposal would remove the States from the intermediary role of collecting contributions from sub-State entities and put all State and local government employers under a direct depositing requirement with a schedule that conforms with the frequency required of private employers. In addition, the proposal would subject State and local governments to the same interest penalty for late deposits as is imposed on private employers. Under current law, the interest charge for late deposits from State and local governments is 6 percent. The proposal would be phased in over a 3-year period beginning October 1, 1985.

This proposal is treated as a revenue measure and is included in chart 14, "Revenues: Proposed Legislation."

Changes in administration of railroad retirement and social security benefits.—Another proposed change in the budget provides that all new railroad retirees and some who already have retired (i.e. those who had established rights to social security benefits outside of their railroad employment) would have the social security portion of their railroad retirement benefits determined by and paid directly from SSA, rather than the Railroad Retirement Board. Other railroad pension benefits would be unaffected.

Chart 5.—UNEMPLOYMENT COMPENSATION

[In billions of dollars]

Unemployment trust fund	Fiscal year— 1985	1986
Status of State accounts:		
Income:		
State taxes	19.4	18.0
Interest	1.0	1.4
Federal loans	1.0	0.6
Total	21.4	20.0
Outgo:		
State benefits	13.7	14.2
Federal loans repaid	2.8	0.7
Total	16.5	14.9
Balance at end of year	16.6	21.6
Less outstanding Federal loans	6.8	4.6
Net balance	9.8	17.0
Status of extended benefit account:		
Income:		
Federal taxes	1.9	1.9
Transfer from Administration account		0.4
Nonrepayable general fund advances for Federal supplemental compensation	1.0	.0
Total	2.9	2.3
Outgo:		
Extended benefits	(1)	(1)
Federal supplemental compensation	1.0	n.a.
Repayment of general fund advances for extended benefits	1.9	2.2

Chart 5.—UNEMPLOYMENT COMPENSATION—Continued

[In billions of dollars]

Unemployment trust fund	Fiscal year— 1985	1986
Total	2.9	2.3
Balance at end of year	.0	0.1
Less outstanding general fund advances	2.2	.0
Net balance	—2.2	0.1
Status of administration account:		
Income:		
Federal taxes and interest	3.0	3.0
Total	3.0	3.0
Outgo:		
State unemployment insurance service	1.6	1.7
State employment service	0.9	0.9
Federal administration	0.1	0.1
Transfer to extended benefits account	0	0.4
Total	2.6	3.1
Balance at end of year	1.8	1.6
General fund:		
Federal employee compensation and unemployment benefits and allowances accounts ([2]):		
Outlays	0.4	0.3

[1] Extended Benefits outlays were less than $50 million at $.02 and $.01 million in fiscal year 1985 and fiscal year 1986, respectively. Half of these amounts is in the State accounts and half is in the Extended Benefits Account.

[2] The programs in this category are: Unemployment Compensation for Federal Employees; Unemployment Compensation for Ex-servicemen; Postal Service Employees; Trade Adjustment Assistance; and Redwood compensation.

Note: Detail may not add to totals because of rounding.

n.a. Not applicable, program expires March 31, 1985.

Chart 5

Unemployment Compensation

The unemployment compensation system was enacted as a part of the Social Security Act of 1935 to provide partial wage replacement to covered workers during periods of temporary and involuntary unemployment. The program is a joint Federal-State system composed of programs administered by the 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands.

The major provisions of the unemployment compensation program are determined by State laws. In general, State laws establish eligibility requirements, the number of weeks an individual may collect unemployment compensation, the amount of the weekly benefit, the circumstances under which benefits may be denied, the length of denial, and the State unemployment tax structure.

The unemployment compensation system is financed by State and Federal payroll taxes on employers. Under the Federal Unemployment Tax Act (FUTA), a payroll tax of 6.2 percent on the first $7,000 of wages is levied on employers. If the State's unemployment compensation program meets the requirements of Federal law, employers in that State receive a 5.4 percent credit against the 6.2 percent Federal unemployment tax. Thus the effective Federal tax rate in a State which has an approved program is 0.8 percent. The tax may be higher in States having outstanding unemployment insurance loans from the Federal Government.

The Federal tax is used to pay both State and Federal administrative costs associated with the unemployment compensation and State employment service programs, to pay most of the cost of operating State employment service programs, to fund 50 percent of the extended benefits paid to unemployed workers under the Federal-State Extended Unemployment Compensation Act of 1970, and to maintain a loan fund from which an individual State may borrow when it lacks funds to pay State unemployment compensation benefits.

States also levy unemployment compensation taxes on covered, private employers in the State. State taxes finance regular State benefits and one-half the cost of extended benefits. State unemployment funds are deposited with the Federal Government in the unemployment trust fund, which is a part of the unified Federal budget. States then pay benefits from this fund.

Most unemployment benefits are paid through the Federal Unemployment Trust Fund which consists of a number of accounts and which draws its funding partly through State payroll taxes, partly through the Federal Unemployment Tax, and partly from general revenues.

Regular State unemployment benefits are paid by the States from individual State accounts in the trust fund. These State accounts are primarily funded by State payroll taxes on employers. However, if a State account is unable to meet its obligations, the State account may be supplemented by loans from a Federal loan account in the trust fund.

In most States, regular State unemployment benefits are payable for a maximum of 26 weeks. In times of high unemployment, the Federal-State extended benefit program goes into effect providing up to 13 additional weeks of benefits.

The extended benefits program triggers on in a State when the insured unemployment rate (IUR) in that State reaches at least 5 percent and is at least 20 percent higher than the rate prevailing on average during the comparable period in the previous 2 years. However, a State may elect an optional trigger which permits the payment of extended benefits when the State IUR is at least 6 percent, even if that rate is not 20 percent higher than the rate prevailing in the 2 prior years.

Federal general revenue funds are advanced as needed to cover shortages in the account which pays the Federal share of extended benefits and in the account from which States borrow to meet shortages in State accounts. In addition, general revenues are used to meet the cost of certain benefits provided under Federal law. These include unemployment benefits for Federal employees and ex-servicemen, trade adjustment assistance benefits, and benefits under special programs related to disaster relief and the Redwoods Park. Except for Federal civilian employees and ex-service members, these separately funded general revenue programs are not included in the trust fund totals.

A special program also exists for workers in the railroad industry. This is funded by employer contributions which are paid into a separate trust fund account administered by the Railroad Retirement Board.

The Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97-248) established the Federal Supplemental Compensation (FSC) program, which provides additional weeks of unemployment compensation to individuals who have exhausted their regular State benefits and any extended benefits to which they were entitled. The program is financed by general revenues. Weekly benefit amounts are identical to regular State program benefits for each claimant.

As originally enacted, the FSC program provided 10, 8, or 6 additional weeks of benefits. The Surface Transportation Assistance Act of 1982 (Public Law 97-424) increased the maximum number of weeks of FSC benefits to 16, 14, 12, 10, or 8, depending on the State where the individual qualified for the benefit between September 12, 1982 and March 31, 1983. The program was extended from March 31, 1983, though September 30, 1983, by the Social Security Amendments of 1983 (Public Law 98-21). This extension provided 8 to 14 weeks of benefits during this period. Public Law 98-118 extended the program for 3 weeks from September 30, 1983 through the week of October 16, 1983.

The Federal Supplemental Compensation Amendments of 1983 (Public Law 98-135) extended the FSC program from the week of October 23, 1983, through the week of March 31, 1985.

Basic FSC benefits.—Under this extension, the number of basic weeks of FSC payable in the States ranges from 8 to 14 weeks. The maximum in each State is determined by the State's moving 13-week average insured unemployment rate (IUR), as determined in the current extended benefit and FSC programs, *or* the State's cumulative average IUR since January 1, 1982, and through the second preceding calendar quarter.

A maximum of:

(a) 14 weeks is payable in States with a moving 13-week average insured unemployment rate (IUR) of at least 6.0 percent *or* a cumulative average IUR since January 1, 1982 of at least 5.5 percent.

(b) 12 weeks is payable in States with a moving 13-week average IUR of 5.0 to 5.9 percent *or* a cumulative average IUR since January 1, 1982 of 4.5 to 5.4 percent.

(c) 10 weeks is payable in States with a moving 13-week average IUR of 4.0 to 4.9 percent.

(d) 8 weeks is payable in all other States.

Unemployed workers who first apply for FSC benefits after the week of October 23, 1983 receive weeks of FSC benefits equal to 55 percent of the number of weeks of regular State unemployment benefits they received, up to the maximum number of basic FSC benefits payable in the State in the week in which they first file their claims.

Limitation on reduction of basic weeks payable in a State.—Beginning with the week of October 23, 1983, (a) the maximum number of basic weeks payable in a State will be adjusted (up or down) no more frequently than every 13 weeks; and (b) a single adjustment shall not exceed 2 weeks.

Limitation on reduction of FSC weeks payable to individuals.—Beginning with the week of October 23, 1983, individuals will continue to be eligible for the number of FSC weeks to which they were entitled at the time they first qualified for FSC, regardless of changes (up or down) in the number of basic weeks payable in the State. As under the extended benefits program, an individual who makes an interstate claim for FSC benefits will receive the lesser of (a) the number of weeks of FSC payable in the State in which he receives the benefits or (b) the maximum number of weeks payable in his or her former State.

Proposed Legislation

The Administration proposes to cover railroad unemployment under the Federal-State unemployment insurance system beginning in fiscal year 1986. This proposal would also require the Railroad Unemployment Insurance program to repay its debt to the Railroad Retirement program by 1995. At the end of 1984, this debt was about $700 million. This proposal is included as a revenue measure and is described further in a later section of this document.

In addition, the Administration will propose legislation later to reduce the Federal unemployment tax and allow States to finance the costs of the job service and of administering unemployment insurance themselves starting in 1988 program.

Chart 6.—WELFARE PROGRAMS FOR FAMILIES

[In billions of dollars]

	Fiscal year—	
	1985	1986
Present law:		
Aid to families with dependent children:		
Welfare payments	7.392	7.309
Administration	.971	1.024
Work incentive program (WIN)	.267	.....
Child support:		
Total AFDC collections	1.046	1.153
Federal share	.298	.319
Total AFDC and non-AFDC administrative costs	.815	.912
Federal share	.579	.651
Title IV–B (child welfare services and training)	.204	.204
Title IV–E (foster care, adoption assistance)	(*)	(*)

* See text.

Chart 6

Welfare Programs for Families

A. AID TO FAMILIES WITH DEPENDENT CHILDREN

The program of Aid to Families with Dependent Children (AFDC) provides Federal matching for State programs of cash assistance to needy families with children in which at least one parent is deceased, disabled, or absent from the home. States, at their option, may also provide benefits for families in which dependency arises from a parent's unemployment. Twenty-five jurisdictions are currently providing benefits to families with unemployed parents. The amount of Federal matching for AFDC benefits varies from State to State under formulas providing higher percentages in States with lower per capita incomes. The national average contribution by the Federal Goverment is 54 percent. States establish their own income eligibility and benefit levels.

According to the Administration, under present law the average number of families and recipients receiving monthly payments is as follows:

[In millions]

	Fiscal year—		
	1984	1985 est.	1986 est.
Families	3.7	3.7	3.7
Individuals	10.8	10.8	10.8

Administration estimates for Federal program costs under present law are as follows:

[In millions of dollars]

	Fiscal year—		
	1984	1985 est.	1986 est.
AFDC benefits [1]	7,355	7,308	7,224
Emergency assistance	76	69	70
Adult assistance in jurisdictions	13	14	14
State and local administration and training	867	934	988
Federal administration	35	37	36
Repatriation of U.S. nationals	1	1	1
Total	8,347	8,363	8,333

[1] Includes reductions for erroneous payments of $173 million in 1985 and $414 million in 1986.

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A number of legislative changes aimed at reducing AFDC expenditures were included in the Omnibus Budget Reconciliation Act of 1981. These amendments defined and limited amounts of earnings that can be "disregarded" in determining benefits. They authorized States to develop a variety of new employment programs for recipients, including community work experience programs, work supplementation programs and Work Incentive demonstration programs. They tightened the eligibility and benefit determination process by requiring States to use retrospective accounting and monthly reporting procedures. In addition, the amendments further limited eligibility and benefit payments by: requiring that a stepparent's income be counted in determining the family's benefit; providing eligibility for a pregnant woman with no other children only beginning with the 6th month of pregnancy; requiring that lump-sum payments be treated as income in the month of receipt and future months; establishing maximum asset limits; requiring that the amount of earned income tax credit (EITC) which an individual is eligible to receive on an advance basis be assumed in determining the amount of the benefit, whether or not the EITC is actually received; and requiring States to recover overpayments and pay underpayments.

At the time of the passage of the Reconciliation Act, the Congressional Budget Office estimated that the legislative changes in the AFDC program would produce AFDC savings in fiscal year 1982 of $1,026 million. CBO recently estimated the amount of savings at $637 million.

Additional changes in the AFDC program were made by the Tax Equity and Fiscal Responsibility Act of 1982. The 1982 legislation authorized State welfare agencies to require both applicants and recipients to participate in job search programs; permitted proration of benefit amounts for shelter and utilities when AFDC families share a household with others; prohibited payments where absence is due solely to active duty in a uniformed service; permitted the disregard of certain statutorily mandated payments made by a State welfare agency; permitted the disregard of supplementary payments made by a State to compensate for a lag in benefit adjustment due to retrospective accounting; required States to make benefits payable no earlier than the date of application; required the rounding of need and benefit amounts to the next lower whole dollar; and reduced the payment error rate which States may have before being subject to a reduction in Federal matching from 4 percent to 3 percent, beginning in fiscal year 1984.

CBO originally estimated AFDC savings from these changes at $85 million for fiscal year 1983, but is now estimating savings of $35 million in fiscal year 1983.

Further changes in the AFDC program were included in the Deficit Reduction Act of 1984. Parents and siblings of an AFDC child were required to be included in the AFDC filing unit. Additionally, the 1984 Act clarified that AFDC deductions are to be taken from gross income, not take-home pay. The 1984 legislation increased the AFDC gross income limit from 150 percent to 185 percent of the State standard of need; increased the standard deduction for part-time workers to $75 monthly; extended the $30 disregard of earned income from four months to twelve months; required States to continue medicaid coverage for nine months to families who lose AFDC eligibility because of expiration of the one-third disregard of earnings, States at their option can extend medicaid coverage to such families for an additional six months; required State welfare agencies to pass through to the AFDC family the first $50 of child support payments collected on their behalf each month, without reducing their AFDC benefit or eligibility status; repealed the rule that the EITC be deemed available income for eligible recipients; and authorized Federal funds for specified work expenses of workfare participants. States were permitted more flexibility in operating work supplementation programs; CWEP participants were allowed to work for Federal agencies; States were permitted rather than required to make protective payments in certain circumstances; and IRS was required to share tax information regarding unearned income of AFDC recipients with certain agencies.

CBO recently estimated AFDC savings from these changes at $18 million for fiscal year 1985.

B. WORK INCENTIVE PROGRAM

The Work Incentive (WIN) program is charged with administering the work registration requirement for AFDC recipients, and providing employment and training services for those who are required to register or who volunteer for WIN services. The program also provides support services, including child care, for those who need them in order to work or take training. The program is administered jointly at the Federal level by the Department of Health and Human Services and the Department of Labor, and at the State level by the welfare (or social service) agency and the employment service. The Federal matching share is 90 percent.

The Omnibus Budget Reconciliation Act of 1981 included a provision authorizing States to operate a 3-year demonstration program as an alternative to the current WIN program. The demonstration is aimed at testing single-agency administration, and the demonstration must be operated under the direction of the welfare agency. The legislation includes broad waiver authority to allow States to experiment with alternative methods of providing employment and training services. (The period for applying for HHS approval of demonstration programs was extended to June 30, 1984 by the Tax Equity and Fiscal Responsibility Act of 1982.) Public Law 98-396 (an appropriation act) further extended the WIN demonstrations through June 30, 1987.

Funding for WIN was $365 million in fiscal year 1981, $281 million in fiscal year 1982, $271 million in fiscal years 1983 and 1984, and $267 million in fiscal year 1985.

C. CHILD SUPPORT ENFORCEMENT

The purpose of the Child Support Enforcement (CSE) program is to enforce support obligations owed by absent parents to their children, locate absent parents, establish paternity, and obtain child support. The program serves both AFDC and non-AFDC families. As a condition of eligibility for AFDC, each applicant or recipient must assign the State any rights to support which she may have in her own behalf or in behalf of children in the family, and must cooperate with the State in establishing paternity and in obtaining support payments. States are also required to provide child support services to families who are not eligible for AFDC.

The Federal Government pays 70 percent of State and local administrative costs for services to both AFDC and non-AFDC families on an open-end entitlement basis. In addition, 90 percent Federal matching is available on an open-end entitlement basis to States that elect to establish an automatic data processing and information retrieval system.

Collections made on behalf of AFDC families are used to offset the cost to the Federal and State governments of welfare payments made to the family. However, the first $50 per month of such collections is passed through to the family. The amounts retained by the government are distributed between the Federal and State governments according to the proportional matching share which each has under a State's AFDC program.

Finally, as an incentive to encourage State and local governments to participate in the program, the law provides for a basic payment equal to a minimum of 6 percent of collections made on behalf of AFDC families, plus 6 percent of collections made on behalf of non-AFDC families. The amount of each State's incentive payment could reach a high of 10 percent of AFDC collections plus 10 percent of non-AFDC collections, depending on the cost-effectiveness of the State's program. (The incentive payments for non-welfare collections may not exceed 100 percent of the incentive payments for welfare collections. This percentage increases to 105 percent in 1988, 110 percent in 1989, and 115 percent for years thereafter.) These incentive payments are financed from the Federal share of collections.

According to Administration data, child support collections and expenditures are as follows:

[In millions of dollars]

	Fiscal year—		
	1984	1985 est.	1986 est.
Total collections	2,337	2,528	2,937
AFDC collections	1,000	1,046	1,153
(Federal share)	(402)	[1] (298)	[1] (319)

[In millions of dollars]

	Fiscal year—		
	1984	1985 est.	1986 est.
Non-AFDC collections	1,337	1,482	1,784
Total administrative costs	699	815	912
Federal share	490	579	651

[1] The Federal share of collections is included in the AFDC appropriation as an offset to AFDC benefits.

The program made collections on behalf of 595,000 AFDC families and 504,000 non-AFDC families in fiscal year 1983.

The Omnibus Budget Reconciliation Act of 1981 included several provisions aimed at making the program more effective. The amendments: authorized the collection of past-due child and spousal support from Federal tax refunds in the case of families receiving AFDC; expanded the authority in prior law to enforce obligations for support of a child to include, in addition, authority to enforce obligations for support of the parent with whom the child is living; required States to retain a fee equal to 10 percent of the support owed on behalf of a non-AFDC family, to be charged against the absent parent and added to the amount of the collection; provided that a support obligation assigned to the State as a condition of AFDC eligibility may not be discharged in bankruptcy; and required States to have a program to collect child support obligations which are being enforced under a State child support enforcement program by reducing the unemployment benefits of an absent parent.

The CBO has estimated savings from these changes of $107 million in fiscal year 1982 and $125 million in fiscal year 1983.

Changes made by the Tax Equity and Fiscal Responsibility Act of 1982 included a reduction in Federal matching for the child support enforcement program. Federal matching for State administrative costs was reduced from 75 percent to 70 percent, effective October 1, 1982; child support incentive payments were reduced from 15 to 12 percent, effective October 1, 1983; and Federal matching for the costs of court personnel was repealed, effective October 1, 1983. The 1982 Act also restored the law in effect prior to the 1981 Reconciliation Act which allows States to charge a reasonable fee for a non-AFDC collection and retain from the amount collected an amount equal to administrative costs not covered by the fee. The 1982 Act retained, as a State option, the authority to collect from the parent who owes child or spousal support an amount to cover administrative costs, in addition to the child support payments. It also included a provision relating to the treatment of child support collections made after the first month of AFDC ineligibility.

CBO has estimated savings from these changes at $62 million in fiscal year 1983 and $120 million in fiscal year 1984.

The Child Support Enforcement Amendments of 1984 requires States, effective October 1, 1985, to adopt numerous procedures to collect overdue child support payments, including mandatory wage

withholding, liens against property, and withholding of State income tax refunds and to permit establishment of paternity until a child's 18th birthday. The 1984 amendments also alter the formula for Federal incentive payments to States for child support collections and extends those incentives to collections made on behalf of non-AFDC children. The amendments gradually reduce the Federal matching share for State and local administrative costs from 70 percent to 68 percent in 1988 and to 66 percent in 1990 and years thereafter. This act also modified the audit and penalty provisions under which the Federal agency monitors state effectiveness.

The 1984 law requires States to continue to provide services to former AFDC families; authorizes the Secretary of the Department of Health and Human Services to make project grants to States for developing new methods of support establishment and collection in interstate cases; extends the Federal income tax return intercept program to non-AFDC families; requires each State to establish guidelines for child support awards within the State; extends medicaid eligibility for four months to families that lose eligibility for AFDC as a result of child support collections; and urges States to focus on the issues of child support, child custody, visitation rights, and other related domestic issues.

D. CHILD WELFARE, FOSTER CARE, AND ADOPTION ASSISTANCE

The Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272) restructured child welfare programs under the Social Security Act. It transferred the foster care component of AFDC from title IV-A and put it into a new title IV-E, along with a newly-established adoption assistance program; redefined child welfare services to emphasize the permanent placement of children and family reunification; and added incentives to States to deemphasize the use of long-term care and to reduce foster care costs.

The child welfare services program, authorized under title IV-B, is a 75 percent Federal matching grant program for States for provision of child welfare services to children and their families without regard to the family's income. The majority of the IV-B funds are spent for foster care. The State allocations are based on the State's per capita income and the size of its population under age 21 compared to all the States. The fiscal year 1984 appropriations for child welfare services was $165 million; for child welfare training $3.8 million; and for research and demonstrations, $10 million. The fiscal year 1985 appropriation for services was $200 million; for training $3.8 million; and for research and demonstrations, $12 million was appropriated.

The foster care program, authorized under title IV-E, provides matching funds on an entitlement basis to States for maintenance payments for AFDC-eligible children in foster care. The Federal matching rate for a given State is that State's Medicaid matching rate, which averages about 55 percent nationally. The fiscal year 1984 appropriation for foster care was $483.4 million; the fiscal year 1985 appropriation was $460.3 million.

The adoption assistance program, also authorized under title IV-E, provides Federal matching funds to States, at the Medicaid matching rate, for payments to parents who adopt an AFDC- or SSI-eligible child with "special needs." Special needs are defined as

a condition, such as ethnic background, age, membership in a sibling group, or mental or physical handicap, which prevents the placement of the child without assistance payments. The amount of assistance provided to parents varies, depending on the economic circumstances of the family and the child's needs. The fiscal year 1984 appropriation for this program was $21.8 million; the fiscal year 1985 appropriation was $12.8 million.

PROPOSED LEGISLATION

A. Aid to Families with Dependent Children (AFDC)

The President's budget includes a number of proposals to reduce the cost of the AFDC program. As shown in the table below, the Administration estimates that savings would total $180 million in fiscal year 1986. Three of the four proposals are very similar to, or the same as, those proposed in 1985. The other proposal would give States fixed grants for administration costs. A similar proposal was made in the fiscal year 1983 budget.

AFDC PROPOSALS

[In millions of dollars]

	Fiscal year—			3-year total
	1986	1987	1988	
Work program/job search requirements	−52	−30	−35	−117
End caretaker benefits when youngest child is 16	−55	−57	−58	−170
End assistance for minor parents not living with parents	−19	−19	−20	−58
End open-ended match for State and local administration	−54	−53	−38	−145
Total AFDC savings	−180	−159	−151	−490

Work program/job search requirements.—The AFDC statute requires that all applicants and recipients of assistance who are not specifically exempt must register for work or training under the work incentive (WIN) program. The WIN program operates in all States. The statute provides for dual administration by the welfare agency and the employment service.

The Omnibus Budget Reconciliation Act of 1981 included a provision authorizing States to operate 3-year demonstration programs as alternatives to the current WIN program. The demonstration is aimed at testing single-agency administration and must be operated under the direction of the welfare agency. The legislation includes broad waiver authority. These demonstrations have since been extended through June 30, 1987.

The 1981 Reconciliation Act also authorized States to operate community work experience (CWEP) programs which serve a useful public purpose, and to require AFDC recipients to participate in these programs as a condition of eligibility. In addition, the

1981 Reconciliation Act included a provision under which States are permitted to use any savings from reduced AFDC grant levels to make jobs available on a voluntary basis. Under this approach (work supplementation), recipients may be given a choice between taking a job or depending upon a lower AFDC grant. States may use the savings from the reduced AFDC grant levels to provide or underwrite job opportunities for AFDC eligibles. Another work-related provision was enacted in the Tax Equity and Fiscal Responsibility Act of 1982, which authorized States to require applicants and recipients to participate in job search programs operated by the welfare agency.

The Administration is proposing that States be required, in three years, to have all employable adult AFDC applicants participate in job search and all employable recipients register and participate in job search and other work activities. States would have flexibility to structure their requirements for both job search and work activities. Job search could include activities such as participation in job clubs, telephone contacts with employers, or job referral activities. Work activities could include participation in CWEP, work supplementation, or on-the-job training programs.

End benefits to employable parents when youngest child is 16.—Current law continues the eligibility of a parent/caretaker so long as the youngest child is eligible for benefits, i.e., until the child reaches 18, or, at the option of the State, age 19 if the child is in school and is expected to complete his course of study before his 19th birthday. Under the Administration's proposal, when the youngest child reaches 16, an employable caretaker relative would no longer be considered part of the assistance unit. The caretaker relative would be considered employable if he was required to register and participate in the State's work-related programs for AFDC recipients. If the excluded caretaker relative is the parent of the child, his income must be considered as available to the child after application of certain disregards. This proposal was agreed to by the committee in 1982, but was deleted in conference with the House.

A similar provision relating to the social security (OASDI) program was adopted by Congress in 1981. The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) ends benefits for the mother or father caring for a child or children receiving child's insurance benefits, when the youngest child reaches age 16.

End assistance for minor parents not living with parents.—Under present law, a minor parent who has a child, and who leaves home, may establish her own household and claim AFDC as a separate family unit. The income of the parents of the minor parent is not automatically counted as available to the minor parent, because they are not sharing the household.

The Administration is proposing that, in the case of a minor parent who is not and has never been married, AFDC may be provided only if the minor parent resides with her parent or legal guardian, unless the State agency determines that (1) the minor parent has no parent or legal guardian who is living and whose whereabouts are known, (2) the health and safety of the minor parent or the dependent child would be seriously jeopardized if she lived in the same residence with the parent or legal guardian, or

(3) the minor parent has lived apart from the parent or legal guardian for a period of at least one year prior to the birth of the child, or before claiming aid, whichever is later. In addition, whenever a minor parent is eligible under this provision, the State agency would be allowed to make the assistance payments through a protective payee.

The committee approved a similar provision in 1982, but it was dropped in conference with the House. The committee approved the provision a second time as part of S. 2062, the Omnibus Reconciliation Act of 1983. In 1984, the committee approved the provision again, but it was dropped in conference with the House (H.R. 4170, the Deficit Reduction Act of 1984; P.L. 98-369).

End open-ended match for AFDC administration.—Under present law, the Federal Government reimburses each State for 50 percent of its administration and training costs related to the operation of the AFDC program.

The Administration is proposing to discontinue the current open-ended entitlement for administration costs (other than costs associated with implementing the work programs) and instead give each State a fixed AFDC grant for administration. As part of the administration's spending freeze plan, the total 1986 grant level would equal the 1985 spending level—$928 million. Thus, each State would receive an amount which is in the same proportion to $928 million as the amount it received for administration incurred during the most recent full fiscal year for which substantially complete cost reports have been received by the Secretary (i.e. generally fiscal year 1984). For subsequent years, the total amount States receive would be increased by the gross national product (GNP) deflator. Under this proposal States would be able to transfer up to 10 percent of their administration grant to other State-administered public assistance programs such as food stamps and medicaid, where similar changes are proposed.

B. Work Incentive (WIN) Program

WIN PROPOSAL

[In millions of dollars]

	Fiscal year—			3-year total
	1986	1987	1988	
Termination of WIN	−279	−291	−304	−874

The appropriation for the WIN program was $365 million in fiscal year 1981, $281 million in fiscal year 1982, $271 million in fiscal years 1983 and 1984 and $267 million for fiscal year 1985. The Administration requested that no funds be appropriated for WIN in fiscal years 1983, 1984, and 1985 and is repeating the zero appropriation request for fiscal year 1986.

The Administration suggests that the services authorized under the WIN program may be provided by other programs, including

the other AFDC work-related programs, the social services block grant, and the Job Training Partnership Act. Phase-out activities in 1986 would be paid for by using the unexpended 1985 carryover funds.

Although the regular WIN program and the WIN demonstration program would be repealed under the Administration's budget, the budget proposes to allow 50 percent Federal matching funds to be used by the States to operate certain work program activities. These funds would be available on an open-ended entitlement basis (in addition to the closed-end funds proposed for administrative costs generally).

C. Child Support Enforcement

The Administration's budget does not recommend any changes in the child support enforcement program. The Department of Health and Human Services says that implementation of the Child Support Enforcement Amendments of 1984 will be one of its major priorities in fiscal year 1986.

D. Child Welfare, Foster Care, and Adoption Assistance

FOSTER CARE PROPOSAL (TITLE IV–E)

[In millions of dollars]

	Fiscal year—			3-year total
	1986	1987	1988	
One-year freeze	−23			−23

The Administration's fiscal year 1986 budget request for child welfare services and training is approximately $204 million. This amount, and the breakdown between services ($200 million), and training ($3.8 million), is identical to the fiscal year 1985 appropriations. The budget request for child welfare research and demonstration projects is approximately $9 million, a reduction of $3 million from fiscal year 1985 appropriations and of $1 million from fiscal year 1984 appropriations.

The fiscal year 1986 budget request for foster care and adoption assistance is approximately $527 million. These programs are open-ended entitlement programs. However, the Administration proposes to limit the funding for the foster care program to its fiscal year 1985 level (including supplementals) of $485 million. (States would have their funding limited in proportion to their 1984 expenses.) The adoption assistance portion would remain open-ended and the estimated increase for fiscal year 1986 is $9.7 million (when the proposed supplemental for fiscal year 1985 program costs is included), bringing the total program level for that activity to $42 million.

The Administration is also requesting supplementals for foster care and adoption assistance to cover program costs and the entitlement claims from prior years, as follows: For foster care, the request is for $25 million for fiscal year 1985 program costs (which

would bring the fiscal year 1985 appropriation level to approximately $485 million, the same amount requested for fiscal year 1986) and for an additional $31.8 million for entitlement claims from prior years. For adoption assistance, the request is for $19.5 million for fiscal year 1985 program costs (which would bring the fiscal year 1985 appropriation level to approximately $32 million, below the amount requested for fiscal year 1986) and for an additional $3.1 million for prior years claims.

The Administration indicates that the funding requested for foster care is intended to maintain States' entitlement to reimbursement for 1986 claims at the 1985 current estimated level of $485 million and that legislation to improve incentives to States to reduce the duration of time children stay in foster care will be proposed. The requested increase in adoption assistance reflects the increased claims by the States for this program which is an open-ended entitlement.

Chart 7.—SOCIAL SERVICES

[In billions of dollars]

	Fiscal year—	
	1985	1986
Present law:		
Title XX block grant	[1] 2.725	2.700
Proposed legislation:		
None.		

[1] Includes $25 million specifically for child abuse prevention training of child care personnel.

Chart 7

Social Services

In addition to cash benefit programs and medical assistance, the Social Security Act includes provisions in title XX which make Federal funding available for social services. In previous years, title XX legislation authorized matching funds for State social services programs on an entitlement basis. The Federal matching rate was generally 75 percent. In the Omnibus Budget Reconciliation Act of 1981, a new social services block grant program was created to replace the prior Federal-State matching program. A number of requirements on the States, including the requirement of a 25 percent non-Federal match, have been removed, and funding levels have been reduced. The program remains an appropriated entitlement, with each State eligible to receive its share of a national total of $2.4 billion in fiscal year 1982, $2.675 in fiscal year 1983 (with $225 million of this amount available for use in either 1983 or 1984), and $2.7 billion in fiscal year 1984 and years thereafter.

As under the previous statute, allocations are made on the basis of State population. States may determine how their funds are to be used and who may be served. There are no Federal family income requirements, and no fee requirements. Income standards and fees may be imposed at State discretion.

Proposed legislation

The fiscal year 1986 budget request for the social services block grant program is equal to the authorization level of $2.7 billion. No change is proposed in the authorizing legislation.

Chart 8.—SUPPLEMENTAL SECURITY INCOME

[In billions of dollars]

	Fiscal year—	
	1985	1986
Present law:		
Total expenditures	9.511	9.890
Proposed legislation:		
None.		

Chart 8

Supplemental Security Income

Since January 1974, the Social Security Administration has been responsible for administering a basic income support program for needy aged, blind, and disabled persons called Supplemental Security Income (SSI). This program is funded entirely from general funds. The law establishing the SSI program permits the temporary use of the social security trust funds to meet the administrative costs of the program but provides specific safeguards to assure that those costs are promptly reimbursed to the trust funds by an appropriation from general revenues.

Under present law, the average number of recipients receiving federally administered SSI payments is estimated by the Administration to be as follows:

[In thousands]

	Fiscal year—		
	1984	1985 est.	1986 est.
Aged	1,335	1,354	1,311
Blind and disabled	2,274	2,354	2,432
Total Federal	3,609	3,708	3,743
State supplementation only recipients	317	334	340
Total SSI recipients	3,926	4,042	4,083

The maximum Federal monthly payment in calendar year 1985 is $325 for an individual, and $488 for a couple. Annual adjustments are made in January to reflect increases in the cost of living.

A number of significant modifications were made in the SSI program in the Social Security Amendments of 1983 (P.L. 98–21). The Federal SSI monthly payment to an individual was increased by $20 and the payment to a couple was increased by $30, effective July 1983. In addition, the 1983 Amendments changed the cost-of-living adjustment from July to January of each year to coordinate with social security adjustments; required States to pass through to recipients only the amount of the increase in the Federal SSI standard that would have occurred in July 1983 under prior law rather than the July 1983 increase of $20 for an individual and $30 for a couple; provided that aged, blind and disabled residents of public emergency shelters for the homeless may be eligible for SSI

benefits for as many as 3 months in a 12-month period (contrary to a general prohibition against payments to individuals who reside in public institutions); excluded from income under the SSI program in-kind support and maintenance provided by a private nonprofit organization if the State determines that such assistance is based on need; and required the Secretary to provide a one-time notice to all elderly OASDI beneficiaries who are potentially eligible for SSI benefits of the availability of SSI.

According to Administration estimates, these changes increased Federal SSI program outlays by $790 million in fiscal year 1985, $816 million in fiscal year 1986, and $895 million in fiscal year 1987.

Changes made by the Deficit Reduction Act of 1984 gradually increase the asset limit for SSI eligibility to $2,000 for an individual and $3,000 for a couple in 1989 and years thereafter. The assets limit will increase by $100 for an individual and $150 for a couple each year from 1985 to 1989. The 1984 Deficit Reduction Act also limits the recovery of overpayments from recipients under certain circumstances; provides for adjustment of retroactive SSI benefits on account of retroactive social security payments; and extends the disregard of in-kind assistance furnished by a private nonprofit organization or supplier of home-heating oil or gas or other supplier of home energy until October 1, 1987.

CBO estimated that these changes would cost the SSI program $16 million in fiscal year 1985 and $3 million in fiscal year 1986.

The Social Security Disability Benefits Reform Act of 1984 mandates a moratorium on mental impairments review for both DI and SSI beneficiaries until the mental impairment criteria are revised. The 1984 law also extends Section 1619 of the Social Security Act, an experimental program that allows disabled SSI recipients who work and earn more than the substantial gainful activity (SGA) amount to receive a special SSI benefit and thereby remain eligible for Medicaid coverage, through June 30, 1987.

The Administration estimates Federal program outlays as follows:

[In millions of dollars]

	Fiscal year—		
	1984	1985	1986
Federal Benefits:			
Current law	7,521	8,556	8,936
Comparable benefit level [1]	8,185	8,556	8,936
Hold-harmless payments	7	.....	.....
Beneficiary services	85	6	7
Federal fiscal liability	20	49	28
Administrative costs	864	897	919
Disability demonstration projects	1	3	.....
Total	8,498	9,511	9,890

[1] The 1984 total reflects only 11 months of benefit payments. Both 1985 and 1986 have the normal 12 months of payments. The comparable 1984 level based on 12 benefit months is displayed for information.

Proposed Legislation

The Administration's fiscal year 1986 budget does not recommend any changes in the SSI program.

Chart 9.—MEDICARE TRUST FUNDS: [1]

[in billions of dollars]

	Fiscal year—						
	1984	1985	1986	1987	1988	1989	1990
Hospital Insurance:							
Income	45.7	51.3	57.5	63.5	69.7	75.2	81.1
Outgo	42.3	48.8	49.1	53.0	58.6	64.7	71.2
Interfund borrowing transfers [2]	0	1.4	4.8	6.2	0	0	0
Net increase	3.4	3.9	13.2	16.7	11.1	10.5	9.9
Funds at end of year	17.2	21.2	34.3	51.0	62.1	72.6	82.4
Ratio [3]	35.4%	43.1%	64.7%	87.1%	96.0%	101.9%	.....
Supplementary Medical Insurance:							
Income	22.5	24.4	26.0	29.6	33.6	37.8	42.5
Outgo	20.4	23.1	26.0	29.3	33.0	37.1	41.8
Net increase	2.2	1.3	0	.3	.6	.7	.7
Funds at end of year	8.8	10.1	10.1	10.4	11.0	11.7	12.4
Ratio [3]	38.2%	39.0%	34.4%	31.6%	29.6%	28.0%	.....

[1] These are projections under current law. They assume the regulatory initiatives contained in the President's budget for fiscal year 1986 will be implemented. Also, they are based on the economic assumptions in the President's fiscal year 1986 budget.

[2] Recoveries of loans to other trust funds.

[3] Funds at end of year as a percent of next year's outlays.

Note: Totals may not add due to rounding.

Source: Health Care Financing Administration, unpublished tables based on the President's budget.

Chart 9

Medicare Trust Funds

This chart shows the status of the two trust funds in each of seven fiscal years. The data in this chart were obtained from the Health Care Financing Administration and are based on current law and the President's Budget assumptions. The projections assume the regulatory initiatives contained in the President's fiscal year 1986 Budget will be implemented. The Administration estimates that those initiatives will reduce trust fund outlays by significant amounts. The data also take into account the return of amounts loaned from the Hospital Insurance trust fund to the Old-Age and Survivors Insurance (OASI) program.

In the past, the projections based on the President's Budget assumptions have tended to be more optimistic than those later used by the trust fund actuaries. It is possible that the projections that will be used by the trust fund actuaries in preparing the 1985 report of the program trustees will again reflect less optimistic assumptions.

Chart 10.—HEALTH PROGRAMS: PRESENT LAW

Administration Estimates [1]

[Dollars in billions]

	Fiscal year—	
	1985	1986
Medicare trust funds:		
Hospital Insurance:		
Income	$51.3	$57.5
Outgo	48.8	49.1
Net increase	2.5	8.4
Supplementary Medical Insurance:		
Income	24.4	26.0
Outgo	23.1	26.0
Net increase	1.3	0
Medicaid:		
Federal expenditures	23.0	24.7
State costs	19.4	21.2
Total program	42.4	46.0
Maternal and Child Health Block Grant	.5	.5

[1] Assume that the regulatory initiatives in the President's budget for fiscal year 1986 will be implemented.

Note: Total may not add due to rounding.

Source: Budget Appendix, Fiscal Year 1986. Medicaid figures from Health Care Financing Administration, unpublished tables.

Chart 10

Health Programs: Present Law

MEDICARE

Medicare is a nationwide health insurance program for the aged and certain disabled persons authorized by Title XVIII of the Social Security Act. It consists of two parts: part A, the Hospital Insurance program, provides protection against the costs of inpatient hospital services and related institutional services; part B, the Supplementary Medical Insurance program, is a voluntary program which provides protection against the costs of physicians' services and other medical services.

The Social Security Amendments of 1983 (P.L. 98-21) authorized a new method of Medicare reimbursement for hospital services known as the prospective payment system (PPS). Effective for hospital cost reporting periods that began on or after October 1, 1983, payments are made on the basis of predetermined rates which represent the average cost, nationwide, of treating a Medicare patient according to his or her diagnosis. The classification system used to group hospital inpatients according to their diagnoses is known as diagnosis related groups (DRG's). The law provides a three-year transition period during which a declining portion of the total prospective payment is based on a hospital's historical reasonable costs and an increasing portion is based on a combination of regional and national DRG rates. Beginning in the fourth year, payments will be determined totally under a national DRG payment methodology. No costs or savings were attributable to this provision in fiscal year 1984 or 1985, due to the requirement known as "budget neutrality" which specifies that DRG rates must be adjusted so that total payments under PPS equal the payments which would have been made under prior law. The budget neutrality requirement does not apply to fiscal year 1986 and subsequent years. Beginning with 1986, the DRG rates are set at the discretion of the Secretary of Health and Human Services.

The Deficit Reduction Act of 1984 (P.L. 98-369) included the following Medicare spending reduction provisions: (1) a 15-month freeze on physicians' fees, (2) a two-year extension of the temporary provision setting beneficiary part B premium amounts at 25 percent of program costs, (3) the establishment of a fee schedule for clinical laboratory services, and (4) several changes to the prospective payment system for hospitals (such as providing that the rate of increase in both the hospital specific portion and the Federal portion of the payment rates could not exceed market basket plus one-quarter of one percentage point in fiscal years 1985 and 1986).

The Administration budget estimates that total cash outgo during fiscal year 1986 from the two Medicare trust funds will be

$75.1 billion. Of this amount, benefit payments account for $73.2 billion. The Hospital Insurance trust fund in fiscal year 1986 is estimated to have $57.5 billion in income and $49.1 billion in outgo, for a net increase of $8.4 billion. The Supplementary Medical Insurance trust fund in fiscal year 1986 is estimated to have $26.0 billion in income and $26.0 in outgo, resulting in no net change in the balance of the fund.

MEDICAID

Medicaid is a federally-aided, State-designed and administered program, authorized by Title XIX of the Social Security Act, which provides medical assistance for certain categories of low income persons who are aged, blind, disabled, or members of families with dependent children. Subject to Federal guidelines, States determine eligibility and the scope of benefits to be provided. The Federal government's share of Medicaid expenditures is tied to a formula inversely related to the per capita income of the State. Federal matching for services varies from 50 percent to 78 percent. Administrative costs are generally matched at 50 percent except for certain items which are subject to higher matching rates. The Deficit Reduction Act of 1984 (P.L. 98–369) expanded Medicaid's coverage for pregnant women and young children.

The Administration budget projects total Federal-State Medicaid costs for fiscal year 1986 under current law to be $45.9 billion, of which the Federal share is $24.7 billion. Of the Federal amount, $23.5 billion represents payments for benefits. The States share of total Medicaid expenditures for fiscal year 1986 is estimated at $21.2 billion.

MATERNAL AND CHILD HEALTH BLOCK GRANT

Title V of the Social Security Act authorizes the Maternal and Child Health Services Block Grant, which provides funding for the following programs: Maternal and Child Health and Crippled Children's Services, supplemental security income for disabled children, lead-based paint poisoning prevention, genetic disease, sudden infant death syndrome, hemophilia, and adolescent pregnancy. Under the Title V block grant, States determine the level of services. Typically States have supported such health services as well-child checkups and those available in maternity clinics.

Public Law 97–35 created the block grant by adding to maternal and child health and crippled children services those functions described above. The Federal/State matching requirements were also changed and now require the States to spend 75 cents to receive a dollar.

The authorization level for the block grant program was originally set at $373 million per year. However, for fiscal years 1983 and 1984, the block grant received appropriations higher than the authorization level. In fiscal year 1983 the amount was $478 million and for fiscal year 1984 the amount was $399 million. The permanent authorization level was raised to $478 million by the Deficit Reduction Act of 1984.

Of the amounts appropriated, the Secretary is authorized to use not less than 10 nor more than 15 percent for projects of regional and national significance, research, training and certain other activities.

Chart 11.—HEALTH PROGRAMS: ADMINISTRATION PROPOSALS

[Dollars in millions]

	Fiscal year—				Total
	1985	1986	1987	1988	
MEDICARE					
Legislative proposals:					
Proposals affecting outlays:					
Extend freeze on physician fees	$0	−$500	−$425	−$350	−$1,275
Delay initial eligibility to first full month	0	−225	−305	−330	−860
Index part B deductible	0	0	−75	−150	−225
Establish voluntary voucher	0	0	+50	+50	+100
Reduce indirect medical education payment	0	−695	−1,115	−1,430	−3,240
Establish home health copayments	0	−65	−115	−125	−305
Freeze clinical lab fees	−10	−35	−100	−325	−470
Retain Medicare as secondary payor for working aged over 69	0	−295	−450	−515	−1,260
Simplify processing of part A bills	0	−3	−4	−4	−11
Eliminate separate RRB contractor	0	−2	−2	−2	−6
Total	−10	−1,820	−2,541	−3,181	−7,552
Proposals affecting income:					
Increase part B premiums	0	+332	+927	+1,992	+3,251
Total	0	+332	+927	+1,992	+3,251
Regulatory initiatives:					
Initiatives affecting outlays:					
Freeze PPS rates	0	−1,800	−2,491	−2,548	−6,839
Freeze direct medical education payments	0	−150	−360	−530	−1,040
Restructure home health limits	−5	−70	−90	−95	−260
Freeze SNF limits	−5	−5	−5	−5	−20
Freeze limits for PPS-exempt hospitals	0	−20	−30	−35	−85
Freeze durable medical equipment charges	0	−50	−100	−150	−300
Total	−10	−2,095	−3,076	−3,363	−8,544

Chart 11.—HEALTH PROGRAMS ADMINISTRATION PROPOSALS—Continued

[Dollars in millions]

	Fiscal year—				Total
	1985	1986	1987	1988	
MEDICAID					
Legislative proposals:					
Proposals affecting outlays:					
Limit growth of Medicaid payments	0	−1,188	−1,961	−3,038	−6,187
Establish a "hardship pool"	0	+300	0	0	+300
Establish administrative cost grants	0	−52	−56	−60	−168
Total	0	−940	−2,017	−3,098	−6,055
Regulatory initiative:					
Initiative affecting outlays:					
Improve third party collections from child support enforcement	0	−112	−125	−139	−376
Total	0	−112	−125	−139	−376

Source: Health Care Financing Administration, unpublished tables.

Chart 11

Health Programs: Administration Proposals

MEDICARE

The Administration's fiscal year 1986 budget contains various legislative proposals and regulatory initiatives designed to achieve an estimated $3,915 million in outlay savings and $332 million in additional income ~~to the Me~~dicare program in fiscal year 1986.

Legislative Proposals Affecting Outlays

1. Extend freeze on physician reimbursement for one year.—The Administration budget proposes to extend the existing freeze on customary and prevailing charges for all physician services for an additional 12 months. The Deficit Reduction Act enacted the original freeze for a 15-month period beginning July 1, 1984 and ending September 30, 1985. The Administration estimates that this legislative proposal will reduce outlays for fiscal year 1986 by $500 million.

2. Delay initial eligibility date to the first day of the month following the month in which age 65 is reached.—The Administration budget proposes to begin eligibility for Medicare on the first day of the first full month in which the beneficiary is age 65. Currently, eligibility begins on the first day of the month in which an individual attains age 65. The Administration estimates that this legislative proposal will reduce outlays for fiscal year 1986 by $225 million.

3. Index the part B deductible to the Medicare economic index.—The Administration budget proposes to keep the part B deductible at current levels ($75) in 1986, and then index the deductible to the Medicare economic index beginning in 1987. The Administration estimates that this legislative proposal would not affect program expenditures in fiscal year 1986.

4. Establish a voluntary voucher program.—The Administration budget proposes to establish a voluntary Medicare voucher program under which beneficiaries could elect coverage under a private health benefits plan rather than Medicare. Beginning in 1987, private plans that enroll a Medicare beneficiary would be paid premiums set at 95 percent of the average adjusted Medicare per-capita cost and, in exchange, would be required to provide benefits at least equvialent to Medicare. The Administration estimates that this legislative proposal would not affect program expenditures in fiscal year 1986.

5. Reduce the indirect medical education payment.—The Administration budget proposes to eliminate the doubling of the indirect medical education adjustment factor for all teaching hospitals, beginning October 1, 1985. This adjustment factor is used to reimburse the indirect costs incurred (such as the costs of ordering addi-

tional tests by interns and residents) by teaching hospitals. The Administration estimates that this legislative proposal will reduce outlays for fiscal year 1986 by $695 million.

6. Establish home health copayments.—The Administration budget proposes to establish a copayment equal to 1 percent of the inpatient hospital deductible (estimated at $4.80 in 1986) on all home health visits after the 20th visit within a calendar year. The Administration estimates that this legislative proposal will reduce outlays for fiscal year 1986 by $65 million.

7. Freeze clinical lab fees.—The Administration budget proposes to freeze the fee schedule amounts for clinical laboratory services for one year, beginning July 1, 1985. The Administration estimates that this legislative proposal will reduce outlays for fiscal year 1985 by $10 million and outlays for fiscal year 1986 by $35 million.

8. Retain Medicare as the secondary payor for working aged over 69.—The Administration budget proposes to retain Medicare as the secondary payor for beneficiaries over age 69 if they or their spouse work and elect to make their employer-based health insurance primary. The Tax Equity and Fiscal Responsibility Act of 1982 made Medicare the secondary payor for working beneficiaries age 65–69 who are covered under employer-based health insurance. The Deficit Reduction Act extended this provision to beneficiaries covered under a working spouse's employer health plan, where that working spouse is under age 65. The Administration estimates that this legislative proposal will reduce outlays for fiscal year 1986 by $295 million.

9. Simplify processing of part A bills.—The Administration budget proposes to simplify processing of Medicare part A bills. The Administration estimates that this legislative proposal will reduce outlays for fiscal year 1986 by $3 million.

10. Eliminate separate Railroad Retirement Board contractor.—The Administration budget proposes to eliminate a separate fiscal intermediary for the Railroad Retirement Board. The Administration estimates that this legislative proposal will reduce outlays for fiscal year 1986 by $2 million.

Legislative Proposal Affecting Income

1. Increase part B premiums.—The Administration budget proposes to increase part B premiums paid by Medicare beneficiaries over the next five years. Beginning with calender year 1986, the premium would rise two percentage points per year so that the amount the beneficiary pays would increase from an estimated 25 percent of program costs to a rate equal to 35 percent of estimated program costs. The Administration estimates that this legislative proposal will increase revenues to the trust fund in fiscal year 1986 by $332 million.

Regulatory Initiatives Affecting Outlays

1. Freeze prospective payment system rates.—The Administration budget proposes to maintain the prospective payment system rates for fiscal year 1986 at the levels in effect for fiscal year 1985. The Administration estimates that this regulatory initiative will reduce outlays for fiscal year 1986 by $1,800 million.

2. Freeze direct medical education payments.—The Administration budget proposes to permanently freeze payments for the direct costs of medical education activities at the level received by each hospital in its cost reporting period ending in fiscal year 1984. This initiative would be effective for hospital accounting years beginning on July 1, 1985. Medicare reimburses the direct costs of graduate medical education programs (such as classroom costs and salaries of interns and residents) on a reasonable cost pass-through basis. The Administration estimates that this regulatory initiative will reduce outlays for fiscal year 1986 by $150 million.

3. Restructure home health limits.—The Administration budget proposes to revise the way in which home health limits are currently calculated. The Administration estimates that this regulatory initiative will reduce outlays for fiscal year 1985 by $5 million and outlays for fiscal year 1986 by $70 million.

4. Freeze skilled nursing facility limits.—The Administration budget proposes to freeze skilled nursing facility (SNF) limits for accounting periods beginning on or after July 1, 1985 at the prior year's level. The Administration estimates that this regulatory initiative will reduce outlays for fiscal year 1985 by $5 million and the outlays for fiscal year 1986 by $5 million.

5. Freeze limits for PPS-exempt hospitals.—The Administration budget proposes to freeze Medicare reimbursement limits for hospitals and units exempt from the prospective payment system (e.g., rehabilitation and psychiatric hospitals) for cost reporting periods beginning on or after October 1, 1985. The Administration estimates that this regulatory initiative will reduce outlays for fiscal year 1986 by $20 million.

6. Freeze charges for durable medical equipment.—The administration budget proposes to freeze the customary and prevailing charges for durable medical equipment and related items for one year beginning October 1, 1985. Beginning in fiscal year 1987, prevailing charges would be indexed to the consumer price index (CPI). The Administration estimates that this regulatory initiative will reduce outlays for fiscal year 1986 by $50 million.

MEDICAID

The Administration's fiscal year 1986 budget contains various legislative proposals and regulatory initiatives designed to achieve an estimated $1,052 million in outlay savings to the Medicaid program in fiscal year 1986.

Legislative Proposals Affecting Outlays

1. Limit growth of Medicaid payments.—The Administration budget proposes to limit Federal Medicaid expenditures for medical services to $22.2 billion in fiscal year 1986. Federal spending increases in future years would be tied to the medical care component of the consumer price index. Within the overall spending limit, a State will receive in 1986 the same proportional share of funds as it expended in 1984. Federal payments to States would continue to match State expenditures but only up to each State's individual limit. The Administration estimates that this legislative proposal will reduce outlays for fiscal year 1986 by $1,188 million.

2. Establish a "hardship pool."—The Administration budget proposes to establish a one-time $300 million "hardship pool" in fiscal year 1986. These funds will be used to assist States which, despite clear evidence of increased efforts to reduce program costs, experience extraordinary costs above their limit. The Administration expects that this legislative proposal will result in outlays of $300 million in fiscal year 1986.

3. Establish State administrative cost grants.—The Administration proposes to establish a separate grant for funding of State Medicaid administrative costs. This new grant would fund State and local administration, certification, and fraud control activities. In fiscal year 1986, the grant would be funded at the fiscal year 1985 level of $1.2 billion. Funds would be distributed based on each State's relative share of total fiscal year 1984 spending for administration. Future increases would be indexed to the gross national product inflator. States would no longer be required to provide matching funds to receive the grant. The Administration estimates that this legislative proposal will reduce outlays for fiscal year 1986 by $52 million.

Regulatory Initiative Affecting Outlays

1. Improve third party collections from child support enforcement.—The Administration budget proposes to issue regulations which would increase the States' access to health insurance benefits of an absent parent in child support enforcement cases. The Administration estimates that this regulatory initiative will reduce outlays for fiscal year 1986 by $112 million.

Chart 12.—REVENUE SHARING; INTEREST ON THE PUBLIC DEBT: CURRENT LAW

[In billions]

	Fiscal year—	
	1985	1986
Revenue sharing	$4.6	$4.6
Interest	130.4	142.5

Note: Committee decisions on deficit and debt limit determine interest estimate.

Chart 12

Revenue Sharing; Interest on the Public Debt: Current Law

GENERAL REVENUE SHARING

General revenue sharing has been a central part of the Federal Government's efforts to assist local governments. In 1983, Congress approved legislation to extend this program through September 30, 1986. The 1983 extension legislation provided for outlays of $4.6 billion in each of the fiscal years 1984, 1985, and 1986. This amount is distributed to local governments. Since the inception of general revenue sharing, total payments of approximately $76 billion have been made to local and State governments, covering calendar years 1972 through 1983 and ending with the January 1985 payment.

The administration is proposing to end general revenue sharing effective at the end of fiscal 1985. Under the proposal the last payment would be made in October 1985. Outlays for the general revenue sharing program are estimated to be $1.2 billion in 1986 reflecting the final quarterly payment from the 1985 program.

INTEREST ON THE PUBLIC DEBT

Budget outlays for interest on the public debt for fiscal year 1986 are estimated to rise to a level of $198.8 billion from $180.3 billion in fiscal year 1985. These projected increases result from the financing of budget deficits for each of these years and from Federal borrowing to finance off-budget Federal entities.

Net outlays for interest on the public debt, as identified in Chart 12, reflect offsetting payments from the Federal Financing Bank, interest charges by Treasury to Federal agencies and the public, and interest received by trust funds from the Treasury. The net outlays for interest on the public debt amount to $130.4 billion in fiscal year 1985 and $142.5 billion in fiscal year 1986. When the committee has completed its decisions on revenues, expenditures, and budget deficits, the appropriate interest figures can be calculated.

It should be noted that the budget assumes that interest rates will continue to decline over the next few years. The interest outlay estimate assumes that the 91-day bill rate will drop gradually from an average of 9.6 percent in calendar year 1984 to 5.9 percent by 1988.

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Chart 13.—REVENUES: PRESENT LAW

[Dollars in billions]

	Fiscal year—	
	1985	1986
Individual income tax	$329.7	$358.9
Corporation income tax	66.4	74.1
Social insurance taxes	268.4	289.4
Excise taxes	37.0	35.0
Estate and gift taxes	5.6	5.3
Customs duties	11.8	12.3
Miscellaneous receipts	18.0	18.6
Total	736.9	793.7

Chart 13

Revenues: Present Law

Federal revenues are in large part composed of receipts from income and payroll taxes. The administration budget estimates that in fiscal year 1985 these revenues together with receipts from excise taxes, estate and gift taxes and other revenue sources will yield a total of $736.9 billion under present law. For fiscal year 1986, the administration budget projects a revenue yield of $793.7 billion under present law.

Income taxes paid by individuals are estimated to amount to $358.9 billion for fiscal year 1986. Revenues from this source, the largest single source of Federal revenue, will amount to 45.2 percent of total Federal revenue.

Income taxes paid by corporations are estimated at $74.1 billion for fiscal year 1986, amounting to 9.3 percent of total Federal revenue.

Social insurance taxes and contributions, composed of social security and other payroll taxes, unemployment insurance taxes and deposits, Federal employee retirement contributions, and premium payments for supplementary medical insurance, are expected to total $289.4 billion. Receipts from these sources in fiscal year 1986 will account for approximately 36.5 percent of the total Federal revenues.

Excise taxes imposed on selected commodities, services, and activities (including crude oil production) are expected to provide $35.0 billion during fiscal year 1986.

Estate and gift taxes imposed on the value of property held at death and on inter vivos transfers of property are projected to produce $5.3 billion during fiscal year 1986.

Customs duties levied on imports, other taxes, and miscellaneous receipts (such as deposits of earnings by the Federal Reserve System) are expected to total $30.9 billion for fiscal year 1986.

Chart 14.— REVENUES: PROPOSED LEGISLATION

[In billions of dollars]

	1986	1987	1988	Total
Higher education tax incentive	—*	—0.1	—0.3	—0.5
Tuition tax credit	—0.4	—.6	—.9	—1.9
Enterprise zone tax incentive	—.1	—.5	—.9	—1.4
Restructuring of dependent care credit	—*	—.2	—.2	—.5
Extension of R&E tax credit	—.7	—1.3	—1.5	—3.5
IRS revenue initiative		.5	1.5	2.0
IRS user fees	*	*	*	*
Hazardous substance response trust fund (Superfund) [1]	.6	.7	.7	2.0
Black lung disability trust fund [1]	.2	.2	.3	.7
State and local deposit of payroll taxes	.4	*	.3	.7
Equitable taxation of rail industry benefits	*	.1	.1	.2
Railroad unemployment insurance coverage	.1	.2	.2	.5
Total	.2	—1.1	—.7	—1.6

* $50 million or less.

[1] Net of income tax offsets.

Note: Details may not add to totals due to rounding.

Chart 14

Revenues: Proposed Legislation

ADMINISTRATION PROPOSALS

The Administration has proposed a number of changes to the tax law to introduce new tax incentives or to change the structure of existing tax incentives.

The Administration's budget does not include any fundamental tax reform legislation, which is intended to be revenue neutral. Proposals supported by the Administration in the past to expand limits on individual retirement accounts for married persons with only one spouse working outside the home, and to limit the amount of employer-paid health insurance that employees may require tax free, are not part of the budget as they will be part of the Administration's revenue neutral tax reform recommendations.

DESCRIPTION OF PROPOSALS

Tax incentives for higher education.—The administration is again proposing legislation to exclude from taxation the earnings on savings deposited in special accounts that would be used to pay future higher education expenses of dependent children. The maximum annual contribution to these accounts would be $1,000 per child. However, this maximum would be reduced 5 cents for each dollar that the taxpayer's adjusted gross income exceeds $40,000, so that any taxpayer with adjusted gross income in excess of $60,000 would be ineligible.

Eligible expenses generally would be tuition and room and board incurred by a full-time student enrolled in a postsecondary education program leading to a degree or certification (including graduate school). In the case of part-time students in such a program, only tuition would qualify. Special savings accounts would qualify only if the dependent children on whose behalf the savings were made under age 18. In no case could an account be kept open for a child over the age of 25. Eligible expenses would not include amounts paid to schools that follow a racially discriminatory policy. This proposal would be effective January 1, 1986, and is estimated to reduce receipts by $0.1 billion in 1987 and $0.3 billion in 1988.

Tuition tax credit.—The administration is reproposing legislation to provide taxpayers a nonrefundable credit for 50 percent of tuition expenses paid to private elementary and secondary schools for certain qualified dependents. The maximum credit allowable for each dependent would be $100 in 1985, $200 in 1986, and $300 thereafter, with the maximum amount in each year phased out for taxpayers with adjusted gross incomes between $40,000 and $60,000. Credits would not be allowed for expenses paid to private schools that follow a racially discriminatory policy. This proposal,

which would be effective for expenses incurred after July 31, 1985, is estimated to reduce receipts by $0.4 billion in 1986, $0.6 billion in 1987, and $0.9 billion in 1988.

Enterprise zone tax incentives.—Under current law, the only tax incentive for the redevelopment of economically distressed areas is a relaxation of limitations on tax-exempt financing for facilities receiving assistance under the Urban Development Action Grant program. The administration is again proposing that up to 25 small areas per year (not to exceed 75 in total) be designated "enterprise zones." Effective January 1, 1986, the following tax incentives would be available for economic redevelopment in the zones: an exemption from capital gains tax on certain qualified property; a tax credit for employees equal to 5 percent of the first $10,500 of wages earned; a tax credit for employers equal to 10 percent of any qualified increases in their payrolls; a separate tax credit for employers of certain disadvantaged individuals equal to 50 percent of the wages of such persons for the first three years of employment (the percentage declines by 10 points in the fourth year and each year thereafter); an increase of 50 percent in the regular investment tax credit for investment in equipment; a 10 percent investment tax credit for new construction and reconstruction of buildings; and continued availability of tax-exempt bond financing beyond the 1986 sunset date for small issue bonds. These incentives, which generally would remain fully in effect for 20 years and be phased out over the succeeding four years, are estimated to reduce receipts by $0.1 billion in 1986, $0.5 billion in 1987, and $0.9 billion in 1988.

Restructuring of the dependent care tax credit.—The administration is again proposing to increase the dependent care tax credit to 40 percent of qualifying dependent care expenses for individuals with an annual income of $10,000 or less. The credit would be reduced as the individual's income increases above $10,000, and would phase out completely when income reaches $60,000. This credit, proposed to become effective January 1, 1986, is estimated to reduce receipts by $0.2 billion in both 1987 and 1988.

Extension of research and experimental expenditures (R&E) tax credit.—The tax credit for incremental research and experimental expenditures, which is scheduled to expire December 31, 1985, is proposed to be extended for three years. Extension of this credit is estimated to reduce receipts $0.7 billion in 1986, $1.3 billion in 1987, and $1.5 billion in 1988.

IRS revenue initiative.—In 1986 the Internal Revenue Service will begin initial phases of an initiative to close the gap between taxes owed and paid, and to improve overall compliance with the tax laws. Based on a Grace Commission recommendation, examination staffing will be increased by 2,500 full-time equivalent personnel in each year, 1987–89. Advance hiring will begin in 1986. Receipts are estimated to increase by $0.5 billion in 1987 and $1.5 billion in 1988 as a result of this initiative.

Internal Revenue Service (IRS) user fees.—The administration is proposing that the IRS impose a user fee of $100 on letters of determination for pension plans and tax-exempt organizations. These letters provide approval of tax status. A user fee of $100 is also proposed for private letter rulings, which are requests by taxpayers for clarification of the IRS position in unprecedented tax situations.

These fees, proposed to become effective October 1, 1985, are estimated to increase receipts by less than 0.1 billion in each year, beginning in 1986.

Hazardous substance response trust fund ("Superfund").—The administration proposes to reauthorize and expand the taxing authority under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980. The taxes levied under this authority are used to finance the Hazardous Substance Response Trust Fund, commonly referred to as "Superfund", which pays for the cleanup of hazardous waste sites. The proposed taxes, which are estimated to increase receipts to the trust fund by $0.9 billion over current law in each year, 1986–1988, would be sufficient to finance the level of spending proposed by the administration for hazardous waste site cleanup in 1986 and later years. No appropriation from the general fund of the Treasury will be requested.

Black lung disability trust fund.—Black lung disability benefits are paid to coal miners (or to their survivors) who have been determined to be totally disabled by black lung disease. Benefits for miners determined to be eligible prior to 1973 are paid for by the general fund of the Treasury. Benefits for miners determined to be eligible since 1973 are the responsibility of the coal mining industry—either the coal mine operator found responsible for an individual miner's disease or the industry as a whole through the black lung disability trust fund. This fund is financed primarily by an excise tax on coal production. Additional funding includes repayable advances from the Treasury when trust fund liabilities exceed income. Since benefits have exceeded revenues for a number of years, the cumulative trust fund deficit is increasing. In order to move toward the future solvency of the trust fund and to fulfill the original intent of the Congress that the cost of the program be borne by the coal industry, the administration is proposing an increase in the fee that would freeze the cumulative deficit over the next five years. This change in the coal tax is estimated to increase receipts to the trust fund by $0.2 billion in 1986, and $0.3 billion in 1987 and 1988.

State and local deposit of social security payroll taxes.—States currently are required to make semimonthly deposits of social security contributions (payments in lieu of taxes) on their own behalf and for sub-State entities. Private employers and the Federal Government are required to deposit these taxes under an accelerated schedule. The administration is requesting legislation that would remove the States' liability for deposit of contributions by sub-State entities and conform the State and local government deposit schedule to the private sector schedule over a three year period beginning October 1, 1985. Late deposits by State and local employers would be subject to the same penalty rate (the prime interest rate) as private employers, rather than the current interest charge of only 6%. These changes are estimated to increase receipts by $0.4 billion in 1986, less than $0.1 billion in 1987, and $0.3 billion in 1988.

Equitable taxation of rail industry benefits.—Under current tax law, a portion of social security equivalent benefits provided under railroad retirement is subject to the Federal income tax. Payments received from the rail industry pension plan are subject to the Fed-

eral income tax to the extent that they exceed previously taxed contributions. However, some rail industry pension benefits are being taxed under the social security equivalent benefit rules. The administration is proposing that effective January 1, 1986, these pension payments be taxed under the same rules that apply to all other payments received under the industry pension plan. This proposal is estimated to increase receipts by $0.1 billion in both 1987 and 1988.

Extension of Federal/State unemployment insurance coverage to railroad employment.—Railroad employment is the only sector not covered by the Federal/State unemployment insurance system. The separate Railroad Sickness and Unemployment Insurance Fund (RSUI), which is financed by payroll taxes paid by rail employers, is deeply in debt to the rail pension fund and under current law would be unable to pay benefits on a timely basis beginning in 1985.

To ensure the timely payment of benefits to unemployed rail workers, the administration proposes to extend Federal/State unemployment insurance coverage to railroad employment. Under a transitional Federal program, all rail workers becoming unemployed after September 30, 1985 would be eligible for generally higher benefits under the Federal/State system. Existing RSUI debt repayment contributions would remain in place to finance sickness payments and ensure that RSUI's debt to the rail pension fund is repaid. This proposal is estimated to increase receipts by $0.1 billion in 1986, and $0.2 billion in 1987 and 1988.

Financing and administering State Unemployment Insurance (UI) and Employment Service (ES) operations.—Employers currently are subject to a Federal unemployment insurance tax (FUTA) on the wages and salaries of their employees. The Federal Government uses part of these taxes to finance the administrative costs of the UI and ES programs and makes the major decisions regarding the allocation of these resources among competing administrative needs (claims processing, appeals, overpayment and fraud detection, etc.).

The State governments levy and collect the taxes that finance the bulk of UI benefits, and decisions regarding the allocation of administrative resources can have a major impact on UI tax requirements. The administration is therefore working with the States to develop legislation that will be proposed to transfer responsibility for financing and administering the UI/ES system to the States. Under this proposal the net FUTA tax rate would be reduced effective January 1, 1988, resulting in an estimated reduction in these receipts of $1.8 billion in 1988. Since the States would have responsibility for financing the administrative costs of the system at that time, the estimated reduction in FUTA receipts is expected to be offset by increased deposits by the States into their accounts in the unemployment insurance trust fund. It is therefore estimated that this proposal would have no net effect on receipts.

Chart 15.—TAX EXPENDITURES: PRESENT LAW

[Dollars in billions]

	Fiscal year—	
	1985	1986
Commerce and housing credit	$148.7	$161.7
Income security	68.9	81.6
General purpose fiscal assistance	32.7	35.7
Health	28.1	31.6
Education, training, employment, and social services	27.0	30.4
Social Security and Medicare	17.8	18.6
Energy	4.7	4.8
International affairs	2.7	2.9
Natural resources and environment	2.4	2.7
Other tax expenditures	13.1	13.2
Total	346.1	383.2

Chart 15

Tax Expenditures: Present Law

The concept of tax expenditures was developed in order to compare the Federal Government's outlays to the budgetary impact of various deductions, deferrals, and credits in the tax structure. It was intended that, with this information, consideration of the budget might involve examination of both direct and tax expenditures as alternate means of providing incentives.

The Budget Act defines a tax expenditure as the revenue loss arising from special exemptions, exclusions, or deductions from gross income, a special credit, a preferential rate of tax, or a deferral of tax. In general, the concept is intended to identify provisions in the tax law which either encourage certain behavior or compensate for specific hardship. The term encompasses tax provisions of limited applicability which are exceptions to provisions of more general applicability considered necessary to make the tax system function.

This definition of "tax expenditure" is imprecise. The imprecision in definition, as well as a possible implication that the Government has a pre-eminent right to all income, has resulted in substantial controversy. Because of the difficulty of achieving precision, the staff approach has been to include all items listed as tax expenditures by the Administration. A listing of a provision as a "tax expenditure" here is not intended to imply approval or disapproval, or judgment about the effectiveness, of any provision. A listing simply reflects present law and, by implication, present public policy.

The chart presents a summary of tax expenditures by budget functional category and estimates of their revenue effects. The table containing the estimates presented by the Administration as a special analysis in the 1986 budget is reproduced as appendix C of this document.

If the various tax expenditures figures in the two columns were added they would total $346.1 billion in fiscal year 1985 and $383.2 billion in fiscal year 1986. However, simple addition of the separate items, even in functional categories, may not accurately reflect revenue loss. The revenue estimates are made with the assumption that only one item was repealed. If two or more changes were made at the same time, there could be interaction effects. For example, an affected taxpayer could be forced into a higher tax bracket than if only one change were made. Thus, the combined revenue impact would be different from the sum of the separate revenue estimates. Furthermore, some taxpayers have the choice of using other expenditures if they want to reduce their tax liability. Other taxpayers would be required to pay higher taxes, absent existence of a tax expenditure provision. These possibilities are not reflected by a simple totaling of separate items.

Chart 16.—DEBT LIMIT

[Dollars in billions]

Current debt limit	$1,823.8
Reagan administration estimate of debt subject to limit Sept. 30, 1985	1,837.4
Plus:	
Federal funds deficit for fiscal year 1986	239.9
Off-budget agency spending financed by Treasury	1.5
Other financing	*—8.1
Equals:	
Debt subject to limit, Sept. 30, 1986	2,070.7

* Net change from offsetting changes in financing other than borrowing against shifts in investment by Federal funds and off-budget entities.

Chart 16

Debt Limit

Under existing law, the debt limit is $1,823.8 billion. In May of 1983 Congress amended the Second Liberty Bond Act to eliminate the distinction between the temporary and permanent debt ceilings, so that there is now just one ceiling without a fixed expiration date. The Reagan Administration estimates that legislation will be needed to change the limit on the public debt by the summer of 1985.

For fiscal year 1986 the Reagan Administration assumes that the debt subject to limit would reach $2,070.7 billion on September 30, 1986. Underlying those estimates are the legislative proposals to reduce the Federal deficit outlined in the fiscal year 1986 budget proposed by the Administration and reductions in borrowing by off-budget Federal entities. The economic assumptions set forth in the fiscal year 1986 budget also determine the estimates of the debt subject to limit.

The fiscal year 1986 needs as estimated by the Administration include issue of debt by the Federal Financing Bank under the debt limit on behalf of various agency programs and several agencies whose activities are not included in the budget totals. In general, trust fund surpluses are invested in Government securities and therefore do not serve to reduce the debt subject to limit even though they do reduce the unified budget deficit.

APPENDIX A

Committee on Finance 1984 Report to the Budget Committee With Respect to Fiscal year 1985

ROBERT J. DOLE, KANS., CHAIRMAN

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RODERICK A. DEARMENT, CHIEF COUNSEL AND STAFF DIRECTOR
MICHAEL STERN, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON FINANCE
WASHINGTON, D.C. 20510

March 26, 1984

The Honorable Pete V. Domenici
Chairman
Committee on the Budget
U.S. Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This letter transmits the views and estimates of the Committee on Finance on those aspects of the Federal budget for fiscal year 1985 that fall within the Committee's jurisdiction as is required by Section 301(c) of the Congressional Budget Act of 1974.

As you are aware, our current budget situation requires timely action to lower the Federal budget deficit. In order to assure an early and successful resolution of the fiscal year 1985 budget, the Committee on Finance began marking up a deficit reduction package on February 23, 1984. The Committee has completed action on the package and this letter reports the results of our deliberations.

Economic assumptions and baseline. For purposes of scoring the legislative changes contained in the package, the Committee adopted the Congressional Budget Office baseline for programs within its jurisdiction. The CBO baseline embodies its own economic assumptions as well as certain technical differences with the Administration's baseline. If the Budget Committee decides to adopt a different baseline or set of economic assumptions, an appropriate adjustment should be made in revenue and outlay estimates.

43-349 O—85——4

TABLE 1.--OUTLAY REDUCTIONS IN PROGRAMS UNDER FINANCE COMMITTEE JURISDICTION: FY 1985

	Outlay Savings (in billions)
Medicaid	$ .5
Medicare	1.9
Income Security	.2
Payments to Puerto Rico	.3
Debt Service	1.0
Total Outlay Savings	3.8

Outlays. The Committee on Finance has reviewed its spending programs and has recommended changes which reduce outlays within its jurisdiction by $3.8 billion, including $1.0 billion in reduced interest costs.

TABLE 2.--FINANCE COMMITTEE RECOMMENDATIONS FOR REVENUE: FY 1985

	Billions
Present law	$732.9
Legislation (net) under jurisdiction of Finance Committee	10.3
Total Revenues	$743.2

Revenues. The Finance Committee recommends legislative changes that would increase revenues by $10.3 in fiscal year 1985. The Committee recognizes that actions of other committees may affect the projected revenue total as well.

Public debt limit. The permanent debt limit under existing law is $1,490 billion. The projected deficit for fiscal year 1985 will increase the debt subject to limit to a level of $1,534 billion according to CBO estimates. The Budget Committee may find it necessary to adjust the debt limit estimates to take account of any other appropriate adjustments to the estimates in the budget for programs not within the jurisdiction of the Committee on Finance.

TABLE 3.--PUBLIC DEBT LIMIT ESTIMATES
(CBO PROJECTIONS)

	Billions
Debt subject to limit as of September 30, 1983	$1,142
Estimate of debt subject to limit September 30, 1984	1,327
Plus:	
Federal funds deficit for fiscal year 1984	195
Off-budget agency spending financed by Treasury and other financing	13
Equals: Debt subject to limit as of September 30, 1985	1,534

Tax expenditures. The Congressional Budget Act of 1974 defines "tax expenditures" as "revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability." In the Committee's view, the question of whether a given revenue provision represents a special or a normal application of tax policy is one which in many instances cannot be objectively resolved. For this reason, the Committee feels that the only way in which it can comply with the Budget Act's requirement that it present its estimates with respect to tax expenditures is by listing all items which have been so designated in the President's budget. In doing so, however, the Committee does not either endorse or reject the contention that any or all of these items designated as tax expenditures represent a departure from normal tax policy.

For the reason stated above, the Finance Committee simply transmits as its report the tax expenditure listing included in Special Analysis G of the President's budget.

Long-term budgetary outlook. The Congressional Budget Act requires the Budget Committee to undertake an analysis of the long term budgetary outlook and include projections in their report on the budget resolution. In order to assist the Budget Committee in this activity, the Finance Committee reports below the four-year projection for outlay savings and revenue increases.

TABLE 4.--FOUR-YEAR BUDGET ESTIMATES
OF FINANCE COMMITTEE PROPOSALS

	FY1984	FY1985	FY1986	FY1987	4-YEAR TOTAL
Outlay Savings (including debt service)	.2	3.8	8.0	12.4	24.5
Revenue	2.6	10.3	15.9	19.3	48.1
Total Deficit Reduction	2.8	14.1	23.9	31.7	72.6

In order to arrive at total outlay and revenue totals under Finance Committee jurisdiction, these figures should be applied to the Congressional Budget Office baseline.

The Finance Committee staff is available to answer any additional questions you may have on these estimates.

Sincerely yours,

BOB DOLE
Chairman

APPENDIX B

Excerpt From Public Law 93-344—The Congressional Budget and Impoundment Control Act of 1974

TITLE III—CONGRESSIONAL BUDGET PROCESS

TIMETABLE

31 USC 1321.

SEC. 300. The timetable with respect to the congressional budget process for any fiscal year is as follows:

On or before:	Action to be completed:
November 10	President submits current services budget.
15th day after Congress meets	President submits his budget.
March 15	Committees and joint committees submit reports to Budget Committees.
April 1	Congressional Budget Office submits report to Budget Committees.
April 15	Budget Committees report first concurrent resolution on the budget to their Houses.
May 15	Committees report bills and resolutions authorizing new budget authority.
May 15	Congress completes action on first concurrent resolution on the budget.
7th day after Labor Day	Congress completes action on bills and resolutions providing new budget authority and new spending authority.
September 15	Congress completes action on second required concurrent resolution on the budget.
September 25	Congress completes action on reconciliation bill or resolution, or both, implementing second required concurrent resolution.
October 1	Fiscal year begins.

ADOPTION OF FIRST CONCURRENT RESOLUTION

31 USC 1322.

SEC. 301. (a) ACTION TO BE COMPLETED BY MAY 15.—On or before May 15 of each year, the Congress shall complete action on the first concurrent resolution on the budget for the fiscal year beginning on October 1 of such year. The concurrent resolution shall set forth—

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(1) the appropriate level of total budget outlays and of total new budget authority;

(2) an estimate of budget outlays and an appropriate level of new budget authority for each major functional category, for contingencies, and for undistributed intragovernmental transactions, based on allocations of the appropriate level of total budget outlays and of total new budget authority;

(3) the amount, if any, of the surplus or the deficit in the budget which is appropriate in light of economic conditions and all other relevant factors;

(4) the recommended level of Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;

(5) the appropriate level of the public debt, and the amount, if any, by which the statutory limit on the public debt should be increased or decreased by bills and resolutions to be reported by the appropriate committees; and

(6) such other matters relating to the budget as may be appropriate to carry out the purposes of this Act.

(b) ADDITIONAL MATTERS IN CONCURRENT RESOLUTION.—The first concurrent resolution on the budget may also require—

(1) a procedure under which all or certain bills and resolutions providing new budget authority or providing new spending authority described in section 401(c)(2)(C) for such fiscal year shall not be enrolled until the concurrent resolution required to be reported under section 310(a) has been agreed to, and, if a reconciliation bill or reconciliation resolution, or both, are required to be reported under section 310(c), until Congress has completed action on that bill or resolution, or both; and

(2) any other procedure which is considered appropriate to carry out the purposes of this Act.

Not later than the close of the Ninety-fifth Congress, the Committee on the Budget of each House shall report to its House on the implementation of procedures described in this subsection. Report to Congress.

(c) VIEWS AND ESTIMATES OF OTHER COMMITTEES.—On or before March 15 of each year, each standing committee of the House of Representatives shall submit to the Committee on the Budget of the House, each standing committee of the Senate shall submit to the Committee on the Budget of the Senate, and the Joint Economic Committee and Joint Committee on Internal Revenue Taxation shall submit to the Committees on the Budget of both Houses— Submittal to congressional committees.

(1) its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within the respective jurisdiction or functions of such committee or joint committee; and

(2) except in the case of such joint committees, the estimate of the total amounts of new budget authority, and budget outlays resulting therefrom, to be provided or authorized in all bills and resolutions within the jurisdiction of such committee which such committee intends to be effective during the fiscal year beginning on October 1 of such year.

The Joint Economic Committee shall also submit to the Committees on the Budget of both Houses, its recommendations as to the fiscal policy appropriate to the goals of the Employment Act of 1946. Any other committee of the House or Senate may submit to the Committee on the Budget of its House, and any other joint committee of the Congress may submit to the Committees on the Budget of both Houses, its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within its jurisdiction or functions. 60 Stat. 23. 15 USC 1021 note.

(d) HEARINGS AND REPORT.—In developing the first concurrent resolution on the budget referred to in subsection (a) for each fiscal year, the Committee on the Budget of each House shall hold hearings and shall receive testimony from Members of Congress and such appropriate representatives of Federal departments and agencies, the general public, and national organizations as the committee deems desirable. On or before April 15 of each year, the Committee on the Budget of each House shall report to its House the first concurrent resolution on the budget referred to in subsection (a) for the fiscal year beginning on October 1 of such year. The report accompanying such concurrent resolution shall include, but not be limited to— Concurrent resolution, development. Report to Congress. Contents.

(1) a comparison of revenues estimated by the committee with those estimated in the budget submitted by the President;

(2) a comparison of the appropriate levels of total budget outlays and total new budget authority, as set forth in such concurrent resolution, with total budget outlays estimated and total new budget authority requested in the budget submitted by the President;

(3) with respect to each major functional category, an estimate of budget outlays and an appropriate level of new budget authority for all proposed programs and for all existing programs (including renewals thereof), with the estimate and level for existing programs being divided between permanent authority and funds provided in appropriation Acts, and each such division being subdivided between controllable amounts and all other amounts;

(4) an allocation of the level of Federal revenues recommended in the concurrent resolution among the major sources of such revenues;

(5) the economic assumptions and objectives which underlie each of the matters set forth in such concurrent resolution and alternative economic assumptions and objectives which the committee considered;

(6) projections, not limited to the following, for the period of five fiscal years beginning with such fiscal year of the estimated levels of total budget outlays, total new budget outlays, total new budget authority, the estimated revenues to be received, and the estimated surplus or deficit, if any, for each fiscal year in such period, and the estimated levels of tax expenditures (the tax expenditures budget) by major functional categories;

(7) a statement of any significant changes in the proposed levels of Federal assistance to State and local governments; and

(8) information, data, and comparisons indicating the manner in which, and the basis on which, the committee determined each of the matters set forth in the concurrent resolution, and the relationship of such matters to other budget categories.

MATTERS TO BE INCLUDED IN JOINT STATEMENT OF MANAGERS; REPORTS BY COMMITTEES

31 USC 1323.

SEC. 302. (a) ALLOCATION OF TOTALS.—The joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall include an estimated allocation, based upon such concurrent resolution as recommended in such conference report, of the appropriate levels of total budget outlays and total new budget authority among each committee of the House of Representatives and the Senate which has jurisdiction over bills and resolutions providing such new budget authority.

Subdivisions.

(b) REPORTS BY COMMITTEES.—As soon as practicable after a concurrent resolution on the budget is agreed to—

(1) the Committee on Appropriations of each House shall, after consulting with the Committee on Appropriations of the other House, (A) subdivide among its subcommittees the allocation of budget outlays and new budget authority allocated to it in the joint explanatory statement accompanying the conference report on such concurrent resolution, and (B) further subdivide the amount with respect to each such subcommittee between controllable amounts and all other amounts; and

(2) every other committee of the House and Senate to which an allocation was made in such joint explanatory statement shall, after consulting with the committee or committees of the other House to which all or part of its allocation was made, (A) subdivide such allocation among its subcommittees or among programs over which it has jurisdiction, and (B) further subdivide the amount with respect to each subcommittee or program between controllable amounts and all other amounts.

Each such committee shall promptly report to its House the subdivisions made by it pursuant to this subsection. Congressional committees' report of subdivisions.

(c) SUBSEQUENT CONCURRENT RESOLUTIONS.—In the case of a concurrent resolution on the budget referred to in section 304 or 310, the allocation under subsection (a) and the subdivisions under subsection (b) shall be required only to the extent necessary to take into account revisions made in the most recently agreed to concurrent resolution on the budget.

FIRST CONCURRENT RESOLUTION ON THE BUDGET MUST BE ADOPTED BEFORE LEGISLATION PROVIDING NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, OR CHANGES IN REVENUES OR PUBLIC DEBT LIMIT IS CONSIDERED

SEC. 303. (a) IN GENERAL.—It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution (or amendment thereto) which provides— 31 USC 1324.

(1) new budget authority for a fiscal year;

(2) an increase or decrease in revenues to become effective during a fiscal year;

(3) an increase or decrease in the public debt limit to become effective during a fiscal year; or

(4) new spending authority described in section 401(c)(2)(C) to become effective during a fiscal year;

until the first concurrent resolution on the budget for such year has been agreed to pursuant to section 301.

(b) EXCEPTIONS.—Subsection (a) does not apply to any bill or resolution—

(1) providing new budget authority which first becomes available in a fiscal year following the fiscal year to which the concurrent resolution applies; or

(2) increasing or decreasing revenues which first become effective in a fiscal year following the fiscal year to which the concurrent resolution applies.

(c) WAIVER IN THE SENATE.—

(1) The committee of the Senate which reports any bill or resolution to which subsection (a) applies may at or after the time it reports such bill or resolution, report a resolution to the Senate (A) providing for the waiver of subsection (a) with respect to such bill or resolution, and (B) stating the reasons why the waiver is necessary. The resolution shall then be referred to the Committee on the Budget of the Senate. That committee shall report the resolution to the Senate within 10 days after the resolution is referred to it (not counting any day on which the Senate is not in session) beginning with the day following the day on which it is so referred, accompanied by that committee's recommendations and reasons for such recommendations with respect to the resolution. If the committee does not report the resolution within such 10-day period, it shall automatically be discharged from further consideration of the resolution and the resolution shall be placed on the calendar. Resolution referral. Report to Senate.

(2) During the consideration of any such resolution, debate shall be limited to one hour, to be equally divided between, and controlled by, the majority leader and minority leader or their designees, and the time on any debatable motion or appeal shall be limited to twenty minutes, to be equally divided between, and controlled by, the mover and the manager of the resolution. In the event the manager of the resolution is in favor of any such motion Debate, time limitation.

or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from the time under their control on the passage of such resolution, allot additional time to any Senator during the consideration of any debatable motion or appeal. No amendment to the resolution is in order.

(3) If, after the Committee on the Budget has reported (or been discharged from further consideration of) the resolution, the Senate agrees to the resolution, then subsection (a) of this section shall not apply with respect to the bill or resolution to which the resolution so agreed to applies.

PERMISSIBLE REVISIONS OF CONCURRENT RESOLUTIONS OF THE BUDGET

31 USC 1325.

SEC. 304. At any time after the first concurrent resolution on the budget for a fiscal year has been agreed to pursuant to section 301, and before the end of such fiscal year, the two Houses may adopt a concurrent resolution on the budget which revises the concurrent resolution on the budget for such fiscal year most recently agreed to.

PROVISIONS RELATING TO THE CONSIDERATION OF CONCURRENT RESOLUTIONS ON THE BUDGET

31 USC 1326.

SEC. 305 (a) PROCEDURE IN HOUSE OF REPRESENTATIVES AFTER REPORT OF COMMITTEE; DEBATE.—

(1) When the Committee on the Budget of the House has reported any concurrent resolution on the budget, it is in order at any time after the tenth day (excluding Saturdays, Sundays, and legal holidays) following the day on which the report upon such resolution has been available to Members of the House (even though a previous motion to the same effect has been disagreed to) to move to proceed to the consideration of the concurrent resolution. The motion is highly privileged and is not debatable. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

Debate, time limitation.

(2) General debate on any concurrent resolution on the budget in the House of Representatives shall be limited to not more than 10 hours, which shall be divided equally between the majority and minority parties. A motion further to limit debate is not debatable. A motion to recommit the concurrent resolution is not in order, and it is not in order to move to reconsider the vote by which the concurrent resolution is agreed to or disagreed to.

(3) Consideration of any concurrent resolution on the budget by the House of Representatives shall be in the Committee of the Whole, and the resolution shall be read for amendment under the five-minute rule in accordance with the applicable provisions of rule XXIII of the Rules of the House of Representatives. After the Committee rises and reports the resolution back to the House, the previous question shall be considered as ordered on the resolution and any amendments thereto to final passage without intervening motion; except that it shall be in order at any time prior to final passage (notwithstanding any other rule or provision of law) to adopt an amendment (or a series of amendments) changing any figure or figures in the resolution as so reported to the extent necessary to achieve mathematical consistency.

(4) Debate in the House of Representatives on the conference report or any concurrent resolution on the budget shall be limited to not more than 5 hours, which shall be divided equally between the majority and minority parties. A motion further to limit debate is not debatable. A motion to recommit the conference report is not in order, and it is not in order to move to reconsider the vote by which the conference report is agreed to or disagreed to. Debate, time limitation.

(5) Motions to postpone, made with respect to the consideration of any concurrent resolution on the budget, and motions to proceed to the consideration of other business, shall be decided without debate.

(6) Appeals from the decisions of the Chair relating to the application of the Rules of the House of Representatives to the procedure relating to any concurrent resolution on the budget shall be decided without debate.

(b) PROCEDURE IN SENATE AFTER REPORT OF COMMITTEE; DEBATE; AMENDMENTS.—

(1) Debate in the Senate on any concurrent resolution on the budget, and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 50 hours, except that, with respect to the second required concurrent resolution referred to in section 310(a), all such debate shall be limited to not more than 15 hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees. Debate, time limitation.

(2) Debate in the Senate on any amendment to a concurrent resolution on the budget shall be limited to 2 hours, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, and debate on any amendment to an amendment, debatable motion, or appeal shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, except that in the event the manager of the concurrent resolution is in favor of any such amendment, motion, or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. No amendment that is not germane to the provisions of such concurrent resolution shall be received. Such leaders, or either of them, may, from the time under their control on the passage of the concurrent resolution, allot additional time to any Senator during the consideration of any amendment, debatable motion, or appeal.

(3) A motion to further limit debate is not debatable. A motion to recommit (except a motion to recommit with instructions to report back within a specified number of days, not to exceed 3, not counting any day on which the Senate is not in session) is not in order. Debate on any such motion to recommit shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution.

(4) Notwithstanding any other rule, an amendment, or series of amendments, to a concurrent resolution on the budget proposed in the Senate shall always be in order if such amendment or series of amendments proposes to change any figure or figures then contained in such concurrent resolution so as to make such concurrent resolution mathematically consistent or so as to maintain such consistency

(c) ACTION ON CONFERENCE REPORTS IN THE SENATE.—

(1) The conference report on any concurrent resolution on the budget shall be in order in the Senate at any time after the third day (excluding Saturdays, Sundays, and legal holidays) following the day on which such a conference report is reported and is available to Members of the Senate. A motion to proceed to the consideration of the conference report may be made even though a previous motion to the same effect has been disagreed to.

Debate, time limitation.

(2) During the consideration in the Senate of the conference report on any concurrent resolution on the budget, debate shall be limited to 10 hours, to be equally divided between, and controlled by, the majority leader and minority leader or their designees. Debate on any debatable motion or appeal related to the conference report shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the conference report.

(3) Should the conference report be defeated, debate on any request for a new conference and the appointment of conferees shall be limited to 1 hour, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee, and should any motion be made to instruct the conferees before the conferees are named, debate on such motion shall be limited to one-half hour, to be equally divided between, and controlled by, the mover and the manager of the conference report. Debate on any amendment to any such instructions shall be limited to 20 minutes, to be equally divided between and controlled by the mover and the manager of the conference report. In all cases when the manager of the conference report is in favor of any motion, appeal, or amendment, the time in opposition shall be under the control of the minority leader or his designee.

(4) In any case in which there are amendments in disagreement, time on each amendment shall be limited to 30 minutes, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee. No amendment that is not germane to the provisions of such amendments shall be received.

Conference report, submittal to Congress.

(d) REQUIRED ACTION BY CONFERENCE COMMITTEE.—If, at the end of 7 days (excluding Saturdays, Sundays, and legal holidays) after the conferees of both Houses have been appointed to a committee of conference on a concurrent resolution on the budget, the conferees are unable to reach agreement with respect to all matters in disagreement between the two Houses, then the conferees shall submit to their respective Houses, on the first day thereafter on which their House is in session—

(1) a conference report recommending those matters on which they have agreed and reporting in disagreement those matters on which they have not agreed; or

(2) a conference report in disagreement, if the matter in disagreement is an amendment which strikes out the entire text of the concurrent resolution and inserts a substitute text.

(e) CONCURRENT RESOLUTION MUST BE CONSISTENT IN THE SENATE.—It shall not be in order in the Senate to vote on the question of agreeing to—

(1) a concurrent resolution on the budget unless the figures then contained in such resolution are mathematically consistent; or

(2) a conference report on a concurrent resolution on the budget unless the figures contained in such resolution, as recommended in such conference report, are mathematically consistent.

LEGISLATION DEALING WITH CONGRESSIONAL BUDGET MUST BE HANDLED BY BUDGET COMMITTEES

SEC. 306. No bill or resolution, and no amendment to any bill or resolution, dealing with any matter which is within the jurisdiction of the Committee on the Budget of either House shall be considered in that House unless it is a bill or resolution which has been reported by the Committee on the Budget of that House (or from the consideration of which such committee has been discharged) or unless it is an amendment to such a bill or resolution. 31 USC 1327.

HOUSE COMMITTEE ACTION ON ALL APPROPRIATION BILLS TO BE COMPLETED BEFORE FIRST APPROPRIATION BILL IS REPORTED

SEC. 307. Prior to reporting the first regular appropriation bill for each fiscal year, the Committee on Appropriations of the House of Representatives shall, to the extent practicable, complete subcommittee markup and full committee action on all regular appropriation bills for that year and submit to the House a summary report comparing the committee's recommendations with the appropriate levels of budget outlays and new budget authority as set forth in the most recently agreed to concurrent resolution on the budget for that year. 31 USC 1328. Summary report, submittal to House.

REPORTS, SUMMARIES, AND PROJECTIONS OF CONGRESSIONAL BUDGET ACTIONS

SEC. 308. (a) REPORTS ON LEGISLATION PROVIDING NEW BUDGET AUTHORITY OR TAX EXPENDITURES.—Whenever a committee of either House reports a bill or resolution to its House providing new budget authority (other than continuing appropriations) or new or increased tax expenditures for a fiscal year, the report accompanying that bill or resolution shall contain a statement, prepared after consultation with the Director of the Congressional Budget Office, detailing— 31 USC 1329. Contents.

(1) in the case of a bill or resolution providing new budget authority—

(A) how the new budget authority provided in that bill or resolution compares with the new budget authority set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year and the reports submitted under section 202;

(B) a projection for the period of 5 fiscal years beginning with such fiscal year of budget outlays, associated with the budget authority provided in that bill or resolution, in each fiscal year in such period; and

(C) the new budget authority, and budget outlays resulting therefrom, provided by that bill or resolution for financial assistance to State and local governments; and

(2) in the case of a bill or resolution providing new or increased tax expenditures—

(A) how the new or increased tax expenditures provided in that bill or resolution will affect the levels of tax expenditures under existing law as set forth in the report accompanying the first concurrent resolution on the budget for such fiscal year, or, if a report accompanying a subsequently agreed to concurrent resolution for such year sets forth such levels, then as set forth in that report; and

(B) a projection for the period of 5 fiscal years beginning with such fiscal year of the tax expenditures which will result from that bill or resolution in each fiscal year in such period.

No projection shall be required for a fiscal year under paragraph (1)(B) or (2)(B) if the committee determines that a projection for that fiscal year is impracticable and states in its report the reason for such impracticability.

(b) UP-TO-DATE TABULATION OF CONGRESSIONAL BUDGET ACTIONS.—The Director of the Congressional Budget Office shall issue periodic reports detailing and tabulating the progress of congressional action on bills and resolutions providing new budget authority and changing revenues and the public debt limit for a fiscal year. Such reports shall include, but are not limited to—

Periodic reports.

Contents.

(1) an up-to-date tabulation comparing the new budget authority for such fiscal year in bills and resolutions on which Congress has completed action and estimated outlays, associated with such new budget authority, during such fiscal year to the new budget authority and estimated outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year and the reports submitted under section 302;

(2) an up-to-date status report on all bills and resolutions providing new budget authority and changing revenues and the public debt limit for such fiscal year in both Houses;

(3) an up-to-date comparison of the appropriate level of revenues contained in the most recently agreed to concurrent resolution on the budget for such fiscal year with the latest estimate of revenues for such year (including new revenues anticipated during such year under bills and resolutions on which the Congress has completed action); and

(4) an up-to-date comparison of the appropriate level of the public debt contained in the most recently agreed to concurrent resolution on the budget for such fiscal year with the latest estimate of the public debt during such fiscal year.

Report.

(c) FIVE-YEAR PROJECTION OF CONGRESSIONAL BUDGET ACTION.—As soon as practicable after the beginning of each fiscal year, the Director of the Congressional Budget Office shall issue a report projecting for the period of 5 fiscal years beginning with such fiscal year—

(1) total new budget authority and total budget outlays for each fiscal year in such period;

(2) revenues to be received and the major sources thereof, and the surplus or deficit, if any, for each fiscal year in such period; and

(3) tax expenditures for each fiscal year in such period.

COMPLETION OF ACTION ON BILLS PROVIDING NEW BUDGET AUTHORITY AND CERTAIN NEW SPENDING AUTHORITY

31 USC 1330.

SEC. 309. Except as otherwise provided pursuant to this title, not later than the seventh day after Labor Day of each year, the Congress shall complete action on all bills and resolutions—

(1) providing new budget authority for the fiscal year beginning on October 1 of such year, other than supplemental, deficiency, and continuing appropriation bills and resolutions, and other than the reconciliation bill for such year, if required to be reported under section 310(c); and

(2) providing new spending authority described in section 401(c)(2)(C) which is to become effective during such fiscal year.

Paragraph (1) shall not apply to any bill or resolution if legislation authorizing the enactment of new budget authority to be provided in such bill or resolution has not been timely enacted.

SECOND REQUIRED CONCURRENT RESOLUTION AND RECONCILIATION PROCESS

SEC. 310. (a) REPORTING OF CONCURRENT RESOLUTION.—The Committee on the Budget of each House shall report to its House a concurrent resolution on the budget which reaffirms or revises the concurrent resolution on the budget most recently agreed to with respect to the fiscal year beginning on October 1 of such year. Any such concurrent resolution on the budget shall also, to the extent necessary— 31 USC 1331.

(1) specify the total amount by which—

(A) new budget authority for such fiscal year;

(B) budget authority initially provided for prior fiscal years; and

(C) new spending authority described in section 401(c)(2)(C) which is to become effective during such fiscal year,

contained in laws, bills, and resolutions within the jurisdiction of a committee, is to be changed and direct that committee to determine and recommend changes to accomplish a change of such total amount;

(2) specify the total amount by which revenues are to be changed and direct that the committees having jurisdiction to determine and recommend changes in the revenue laws, bills, and resolutions to accomplish a change of such total amount;

(3) specify the amount by which the statutory limit on the public debt is to be changed and direct the committees having jurisdiction to recommend such change; or

(4) specify and direct any combination of the matters described in paragraphs (1), (2), and (3).

Any such concurrent resolution may be reported, and the report accompanying it may be filed, in either House notwithstanding that that House is not in session on the day on which such concurrent resolution is reported. Filing.

(b) COMPLETION OF ACTION ON CONCURRENT RESOLUTION.—Not later than September 15 of each year, the Congress shall complete action on the concurrent resolution on the budget referred to in subsection (a).

(c) RECONCILIATION PROCESS.—If a concurrent resolution is agreed to in accordance with subsection (a) containing directions to one or more committees to determine and recommend changes in laws, bills, or resolutions, and—

(1) only one committee of the House or the Senate is directed to determine and recommend changes, that committee shall promptly make such determination and recommendations and report to its House a reconciliation bill or reconciliation resolution, or both, containing such recommendations; or

(2) more than one committee of the House or the Senate is directed to determine and recommend changes, each such committee so directed shall promptly make such determination and recommendations, whether such changes are to be contained in a reconciliation bill or reconciliation resolution, and submit such recommendations to the Committee on the Budget of its House, which upon receiving all such recommendations, shall report to its House a reconciliation bill or reconciliation resolution, or both, carrying out all such recommendations without any substantive revision.

Reconciliation resolution.

For purposes of this subsection, a reconciliation resolution is a concurrent resolution directing the Clerk of the House of Representatives or the Secretary of the Senate, as the case may be, to make specified changes in bills and resolutions which have not been enrolled.

(d) COMPLETION OF RECONCILIATION PROCESS.—Congress shall complete action on any reconciliation bill or reconciliation resolution reported under subsection (c) not later than September 25 of each year.

(e) PROCEDURE IN THE SENATE.—

(1) Except as provided in paragraph (2), the provisions of section 305 for the consideration in the Senate of concurrent resolutions on the budget and conference reports thereon shall also apply to the consideration in the Senate of reconciliation bills and reconciliation resolutions reported under subsection (c) and conference reports thereon.

Debate, time limitation.

(2) Debate in the Senate on any reconciliation bill or resolution reported under subsection (c), and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 20 hours.

(f) CONGRESS MAY NOT ADJOURN UNTIL ACTION IS COMPLETED.—It shall not be in order in either the House of Representatives or the Senate to consider any resolution providing for the adjournment sine die of either House unless action has been completed on the concurrent resolution on the budget required to be reported under subsection (a) for the fiscal year beginning on October 1 of such year, and, if a reconciliation bill or resolution, or both, is required to be reported under subsection (c) for such fiscal year, unless the Congress has completed action on that bill or resolution, or both.

NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY AND REVENUE LEGISLATION MUST BE WITHIN APPROPRIATE LEVELS

31 USC 1332.

SEC. 311. (a) LEGISLATION SUBJECT TO POINT OF ORDER.—After the Congress has completed action on the concurrent resolution on the budget required to be reported under section 310(a) for a fiscal year, and, if a reconciliation bill or resolution, or both, for such fiscal year are required to be reported under section 310(c), after that bill has been enacted into law or that resolution has been agreed to, it shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or amendment providing additional new budget authority for such fiscal year, providing new spending authority described in section 401(c)(2)(C) to become effective during such fiscal year, or reducing revenues for such fiscal year, or any conference report on any such bill or resolution, if—

(1) the enactment of such bill or resolution as reported;

(2) the adoption and enactment of such amendment; or

(3) the enactment of such bill or resolution in the form recommended in such conference report;

would cause the appropriate level of total new budget authority or total budget outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year to be exceeded, or would cause revenues to be less than the appropriate level of revenues set forth in such concurrent resolution.

(b) DETERMINATION OF OUTLAYS AND REVENUES.—For purposes of subsection (a), the budget outlays to be made during a fiscal year and revenues to be received during a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or the Senate, as the case may be.

TITLE IV—ADDITIONAL PROVISIONS TO IMPROVE FISCAL PROCEDURES

BILLS PROVIDING NEW SPENDING AUTHORITY

SEC. 401. (a) LEGISLATION PROVIDING CONTRACT OR BORROWING AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides new spending authority described in subsection (c)(2)(A) or (B) (or any amendment which provides such new spending authority), unless that bill, resolution, or amendment also provides that such new spending authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts. 31 USC 1351.

(b) LEGISLATION PROVIDING ENTITLEMENT AUTHORITY.—

(1) It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides new spending authority described in subsection (c)(2)(C) (or any amendment which provides such new spending authority) which is to become effective before the first day of the fiscal year which begins during the calendar year in which such bill or resolution is reported.

(2) If any committee of the House of Representatives or the Senate reports any bill or resolution which provides new spending authority described in subsection (c)(2)(C) which is to become effective during a fiscal year and the amount of new budget authority which will be required for such fiscal year if such bill or resolution is enacted as so reported exceeds the appropriate allocation of new budget authority reported under section 302(b) in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year, such bill or resolution shall then be referred to the Committee on Appropriations of that House with instructions to report it, with the committee's recommendations, within 15 calendar days (not counting any day on which that House is not in session) beginning with the day following the day on which it is so referred. If the Committee on Appropriations of either House fails to report a bill or resolution referred to it under this paragraph within such 15-day period, the committee shall automatically be discharged from further consideration of such bill or resolution and such bill or resolution shall be placed on the appropriate calendar. Referral to Appropriations Committee. Discharge from consideration. Placement on calendar.

(3) The Committee on Appropriations of each House shall have jurisdiction to report any bill or resolution referred to it under paragraph (2) with an amendment which limits the total amount of new spending authority provided in such bill or resolution. Committee jurisdiction.

(c) DEFINITIONS.—

(1) For purposes of this section, the term "new spending authority" means spending authority not provided by law on the effective date of this section, including any increase in or addition to spending authority provided by law on such date.

(2) For purposes of paragraph (1), the term "spending authority" means authority (whether temporary or permanent)—

(A) to enter into contracts under which the United States is obligated to make outlays, the budget authority for which is not provided in advance by appropriation Acts;

(B) to incur indebtedness (other than indebtedness incurred under the Second Liberty Bond Act) for the repayment of which the United States is liable, the budget authority for which is not provided in advance by appropriation Acts; and 40 Stat. 288. 31 USC 774.

(C) to make payments (including loans and grants), the budget authority for which is not provided for in advance by appropriation Acts, to any person or government if, under the provisions of the law containing such authority, the United States is obligated to make such payments to persons or governments who meet the requirements established by such law.

Such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

(d) EXCEPTIONS.—

(1) Subsections (a) and (b) shall not apply to new spending authority if the budget authority for outlays which will result from such new spending authority is derived—

(A) from a trust fund established by the Social Security Act (as in effect on the date of the enactment of this Act); or

49 Stat. 620.
42 USC 1305.

(B) from any other trust fund, 90 percent or more of the receipts of which consist or will consist of amounts (transferred from the general fund of the Treasury) equivalent to amounts of taxes (related to the purposes for which such outlays are or will be made) received in the Treasury under specified provisions of the Internal Revenue Code of 1954.

68A Stat. 3.
26 USC 1 et seq.

(2) Subsections (a) and (b) shall not apply to new spending authority which is an amendment to or extension of the State and Local Fiscal Assistance Act of 1972, or a continuation of the program of fiscal assistance to State and local governments provided by that Act, to the extent so provided in the bill or resolution providing such authority.

86 Stat. 919.
31 USC 1221 note.

(3) Subsections (a) and (b) shall not apply to new spending authority to the extent that—

(A) the outlays resulting therefrom are made by an organization which is (i) a mixed-ownership Government corporation (as defined in section 201 of the Government Corporation Control Act), or (ii) a wholly owned Government corporation (as defined in section 101 of such Act) which is specifically exempted by law from compliance with any or all of the provisions of that Act; or

59 Stat. 600;
87 Stat. 1005.
31 USC 856.
59 Stat. 597;
86 Stat. 1274.
31 USC 846.

(B) the outlays resulting therefrom consist exclusively of the proceeds of gifts or bequests made to the United States for a specific purpose.

REPORTING OF AUTHORIZING LEGISLATION

31 USC 1352.

SEC. 402. (a) REQUIRED REPORTING DATE.—Except as otherwise provided in this section, it shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which, directly or indirectly, authorizes the enactment of new budget authority for a fiscal year, unless that bill or resolution is reported in the House or the Senate, as the case may be, on or before May 15 preceding the beginning of such fiscal year.

(b) EMERGENCY WAIVER IN THE HOUSE.—If the Committee on Rules of the House of Representatives determines that emergency conditions require a waiver of subsection (a) with respect to any bill or resolution, such committee may report, and the House may consider and adopt, a resolution waiving the application of subsection (a) in the case of such bill or resolution.

(c) WAIVER IN THE SENATE.—

(1) The committee of the Senate which reports any bill or resolution may, at or after the time it reports such bill or resolution, report a resolution to the Senate (A) providing for the waiver of subsection (a) with respect to such bill or resolution, and (B) stating the reasons why the waiver is necessary. The resolution shall then be referred to the Committee on the Budget of the Senate. That committee shall report the resolution to the Senate, within 10 days after the resolution is referred to it (not counting any day on which the Senate is not in session) beginning with the day following the day on which it is so referred accompanied by that committee's recommendations and reasons for such recommendations with respect to the resolution. If the committee does not report the resolution within such 10-day period, it shall automatically be discharged from further consideration of the resolution and the resolution shall be placed on the calendar.

Referral to Budget Committee.
Report to Senate.
Discharge from consideration.
Placement on calendar.

(2) During the consideration of any such resolution, debate shall be limited to one hour, to be equally divided between, and controlled by, the majority leader and the minority leader or their designees, and the time on any debatable motion or appeal shall be limited to 20 minutes, to be equally divided between, and controlled by, the mover and the manager of the resolution. In the event the manager of the resolution is in favor of any such motion or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from the time under their control on the passage of such resolution, allot additional time to any Senator during the consideration of any debatable motion or appeal. No amendment to the resolution is in order.

Debate, time limitation.

(3) If, after the Committee on the Budget has reported (or been discharged from further consideration of) the resolution, the Senate agrees to the resolution, then subsection (a) of this section shall not apply with respect to that bill or resolution referred to in the resolution.

(d) CERTAIN BILLS AND RESOLUTIONS RECEIVED FROM OTHER HOUSE.—Notwithstanding the provisions of subsection (a), if under that subsection it is in order in the House of Representatives to consider a bill or resolution of the House, then it shall be in order to consider a companion or similar bill or resolution of the Senate; and if under that subsection it is in order in the Senate to consider a bill or resolution of the Senate, then it shall be in order to consider a companion or similar bill of the House of Representatives.

(e) EXCEPTIONS.—

(1) Subsection (a) shall not apply with respect to new spending authority described in section 401(c)(2)(C).

(2) Subsection (a) shall not apply with respect to new budget authority authorized in a bill or resolution for any provision of the Social Security Act if such bill or resolution also provides new spending authority described in section 401(c)(2)(C) which, under section 401(d)(1)(A), is excluded from the application of section 401(b).

(f) STUDY OF EXISTING SPENDING AUTHORITY AND PERMANENT APPROPRIATIONS.—The Committees on Appropriations of the House of Representatives and the Senate shall study on a continuing basis those provisions of law, in effect on the effective date of this section, which provide spending authority or permanent budget authority. Each committee shall, from time to time, report to its House its recommendations for terminating or modifying such provisions.

Report to Congress.

ANALYSIS BY CONGRESSIONAL BUDGET OFFICE

31 USC 1353.

SEC. 403. The Director of the Congressional Budget Office shall, to the extent practicable, prepare for each bill or resolution of a public character reported by any committee of the House of Representatives or the Senate (except the Committee on Appropriations of each House), and submit to such committee—

Submittal to congressional committees.

(1) an estimate of the costs which would be incurred in carrying out such bill or resolution in the fiscal year in which it is to become effective and in each of the 4 fiscal years following such fiscal year, together with the basis for each such estimate; and

(2) a comparison of the estimate of costs described in paragraph (1) with any available estimate of costs made by such committee or by any Federal agency.

The estimate and comparison so submitted shall be included in the report accompanying such bill or resolution if timely submitted to such committee before such report is filed.

JURISDICTION OF APPROPRIATIONS COMMITTEES

SEC. 404. (a) AMENDMENT OF HOUSE RULES.—Clause 2 of rule XI of the Rules of the House of Representatives is amended by redesignating paragraph (b) as paragraph (e) and by inserting after paragraph (a) the following new paragraphs:

"(b) Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

Post, p. 322.

"(c) The amount of new spending authority described in section 401(c)(2) (A) and (B) of the Congressional Budget Act of 1974 which is to be effective for a fiscal year.

"(d) New spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act)."

(b) AMENDMENT OF SENATE RULES.—Subparagraph (c) of paragraph 1 of rule XXV of the Standing Rules of the Senate is amended to read as follows:

"(c) Committee on Appropriations, to which committee shall be referred all proposed legislation, messages, petitions, memorials, and other matters relating to the following subjects:

"1. Except as provided in subparagraph (r), appropriation of the revenue for the support of the Government.

"2. Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

"3. The amount of new spending authority described in section 401 (c)(2) (A) and (B) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the committee under section 401(b)(2) of that Act (but subject to the provisions of section 401 (b)(3) of that Act).

"4. New advance spending authority described in section 401(c) (2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act)."

* * * * * * *

EXERCISE OF RULEMAKING POWERS

SEC. 904. (a) The provisions of this title (except section 905) and of titles I, III, and IV and the provisions of sections 606, 701, 703, and 1017 are enacted by the Congress— 31 USC 1301 note.

(1) as an exercise of the rulemaking power of the House of Representatives and the Senate, respectively, and as such they shall be considered as part of the rules of each House, respectively, or of that House to which they specifically apply, and such rules shall supersede other rules only to the extent that they are inconsistent therewith; and

(2) with full recognition of the constitutional right of either House to change such rules (so far as relating to such House) at any time, in the same manner, and to the same extent as in the case of any other rule of such House.

(b) Any provision of title III or IV may be waived or suspended in the Senate by a majority vote of the Members voting, a quorum being present, or by the unanimous consent of the Senate. Waiver. Ante, pp. 306, 317.

(c) Appeals in the Senate from the decisions of the Chair relating to any provision of title III or IV or section 1017 shall, except as otherwise provided therein, be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the resolution, concurrent resolution, reconciliation bill, or rescission bill, as the case may be. Appeals.

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APPENDIX C

Tax Expenditures by Function (Excerpt From Special Analysis of the Budget of the United States Government, pages G-43–G-47

Table G–2 **REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES BY FUNCTION**

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1984	1985	1986	1984	1985	1986
National defense:						
Exclusion of benefits and allowances to Armed Forces personnel				1,825	1,960	2,095
International affairs:						
Exclusion of income earned abroad by United States citizens				1,300	1,405	1,490
Deferral of income of domestic international sales corporations (DISC)	850	470	*			
Exclusion of income of foreign sales corporations (FSC)		470	1,000			
Deferral of income from controlled foreign corporations:						
Pre-1983 budget method	345	375	390			
Post-1982 budget method						
General science, space, and technology:						
Expensing of research and development expenditures	3,355	3,530	3,745	140	160	180
Credit for increasing research activities	1,360	1,615	1,110	20	25	15
Suspension of the allocation of research and experimentation expenditures	55	125	65			
Energy:						
Expensing of exploration and development costs:						
Oil and gas	485	970	1,150	930	1,060	1,140
Other fuels	*	*	*			
Excess of percentage over cost depletion:						
Oil and gas	325	305	285	850	815	755
Other fuels	355	360	390	15	15	15
Capital gains treatment of royalties on coal	10	10	15	90	100	110
Exclusion of interest on State and local industrial development bonds for certain energy facilities	90	95	100	70	80	90
Residential energy credits:						
Supply incentives				325	330	315
Conservation incentives				270	245	190

Table G–2. **REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES BY FUNCTION—Continued**

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1984	1985	1986	1984	1985	1986
Alternative, conservation and new technology credits:						
Supply incentives	195	185	120	25	25	20
Conservation incentives	10	*	*	*		
Alternative fuel production credit	10	25	25	*	*	*
Alcohol fuel credit [1]	*	*	*	*	*	*
Energy credit for intercity buses	10	10	5	*	*	*
Special rules for minning reclamation reserves	10	35	45	*	5	5
Natural resources and environment:						
Expensing of exploration and development costs, nonfuel minerals	*	*	*			
Excess of percentage over cost depletion, nonfuel minerals	315	365	415	15	15	15
Exclusion of interest on State and local IDBs for pollution control and sewage and waste disposal facilities	640	695	755	500	575	645
Tax incentives for preservation of historic structures	90	110	140	165	215	275
Capital gains treatment of iron ore	*	*	*	15	20	25
Capital gains treatment of certain timber income	215	270	345	80	85	90
Investment credit and seven-year amortization for reforestation expenditures	20	20	20	*	*	5
Agriculture:						
Expensing of certain capital outlays	75	75	80	565	595	620
Capital gains treatment of certain income	20	30	35	550	580	605
Commerce and housing credit:						
Dividend exclusion				495	505	525
Exclusion of interest on small issue industrial development bonds	1,265	1,385	1,530	985	1,175	1,350
Exemption of credit union income	240	270	290			
Excess bad debt reserves of financial institutions	635	810	970			
Exclusion of interest on life insurance savings				3,190	3,915	3,655
Deductibility of interest on consumer credit				12,680	14,625	15,900
Deductibility of mortgage interest on owner-occupied homes				22,735	24,925	27,300
Deductibility of property tax on owner-occupied homes				8,820	9,725	10,745
Exclusion of interest on State and local housing bonds for owner-occupied housing	1,225	1,500	1,805	275	350	450
Exclusion of interest on State and local debt for rental housing	435	540	650	295	370	455
Capital gains (other than agriculture, timber, iron ore and coal)	1,440	1,540	1,675	17,615	18,355	19,260
Deferral of capital gains on home sales				1,705	1,780	1,885
Exclusion of capital gains on home sales for persons age 55 and over				755	805	860
Carryover basis of capital gains at death				3,860	4,355	4,940
Investment credit, other than ESOP's, rehabilitation of structures, energy property, and reforestation expenditures	20,285	20,710	22,020	3,160	3,190	3,285
Accelerated depreciation on rental housing:						
Pre-1983 budget method	150	160	180	530	615	670

Table G–2. **REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES BY FUNCTION—Continued**

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1984	1985	1986	1984	1985	1986
Post-1982 budget method						
Accelerated depreciation of buildings other than rental housing:						
Pre-1983 budget method	4,325	5,420	6,365	1,965	2,640	3,195
Post-1982 budget method						
Accelerated depreciation of machinery and equipment:						
Pre-1983 budget method	12,810	18,105	20,395	1,280	2,080	2,625
Post-1982 budget method						
Safe harbor leasing rules	2,800	2,340	1,990			
Amortization of start-up costs	20	25	30	160	230	285
Exclusion of interest on certain savings certificates				320		
Reinvestment of dividends in public utility stock				415	450	280
Reduced rates on the first $100,000 of corporate income:						
Pre-1983 budget method	4,910	5,000	5,315			
Post-1982 budget method						
Deduction for special percentage of taxable income for life insurance companies	455	790	845			
Transportation:						
Deferral of tax on shipping companies	40	40	40			
Exclusion of interest on State and local bonds for mass commuting vehicles	35	40	40	30	35	40
Deduction for motor carrier operating rights	70	50	15	5	5	5
Community and regional development:						
Five-year amortization for housing rehabilitation	25	30	30	35	40	45
Investment credit for rehabilitation of structures (other than historic)	200	185	195	165	160	165
Exclusion of interest on IDBs for airports, docks and sports and convention facilities	230	260	285	170	195	225
Education, training, employment, and social services:						
Exclusion of scholarship and fellowship income:						
Pre-1983 budget method				605	655	645
Post-1982 budget method						
Exclusion of interest on State and local student loan bonds	220	295	355	65	80	95
Exclusion of interest on State and local debt for private nonprofit educational facilities	120	150	180	30	35	40
Parental personal exemption for students age 19 or over				1,060	1,120	1,230
Deductibility of charitable contributions (education)	420	415	445	700	775	910
Employer educational assistance				15	110	25
Exclusion of employer provided child care				5	10	20
Exclusion of employee meals and lodging (other than military)				725	795	870
Exclusion of contributions to prepaid legal services plans				35	40	15
Investment credit for ESOPs	1,430	1,910	2,330			
Credit for child and dependent care expenses				1,875	2,195	2,500
General jobs credit	*					
Targeted jobs credit	275	340	230	55	75	60
Deduction for two earner married couples				6,170	6,745	7,285

Table G–2. **REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES BY FUNCTION—Continued**

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1984	1985	1986	1984	1985	1986
Deductibility of charitable contributions, other than education and health	525	515	550	9,580	10,620	12,460
Deductions for certain adoption expenses				10	10	10
Exclusion of parsonage allowances				125	130	140
Health:						
Exclusion of employer contributions for medical insurance premiums and medical care				19,145	21,245	23,700
Deductibility of medical expenses				3,165	3,430	3,805
Exclusion of interest on State and local debt for private nonprofit health facilities	1,065	1,335	1,630	250	305	355
Deductibility of charitable contributions (health)	260	255	275	1,400	1,555	1,825
Tax credit for orphan drug research	15	15	15			
Social Security and Medicare:						
Exclusion of social security benefits:						
Disability insurance benefits				1,245	1,165	1,185
OASI benefits for retired workers				13,815	12,830	13,385
Benefits for dependents and survivors				3,755	3,780	3,990
Income security:						
Exclusion of railroad retirement system benefits				615	450	455
Exclusion of workmen's compensation benefits				2,165	2,325	2,500
Exclusion of public assistance benefits:						
Pre-1983 budget method				515	520	530
Post-1982 budget method						
Exclusion of special benefits for disabled coal miners				155	150	150
Exclusion of untaxed unemployment insurance benefits				2,045	1,605	1,260
Exclusion of disability pay				75		
Exclusion of military disability pensions				120	120	125
Net exclusion of pension contributions and earnings:						
Employer plans				44,050	44,205	55,110
Individual Retirement Accounts				10,990	12,050	13,410
Keoghs				1,410	1,585	1,685
Exclusion of other employee benefits:						
Premiums on group term life insurance				1,910	2,055	2,220
Premiums on accident and disability insurance				125	125	130
Income of trusts to finance supplementary unemployment benefits				20	20	30
Additional exemption for the blind				40	45	45
Additional exemption for elderly				2,520	2,665	2,920
Tax credit for the elderly and disabled				145	225	225
Deductibility of casualty losses				370	435	490
Earned income credit [2]				330	305	340
Veterans benefits and services:						
Exclusion of veterans disability compensation				1,640	1,675	1,720
Exclusion of veterans pensions				195	190	190
Exclusion of GI bill benefits				135	125	110
Exclusion of interest on State and local debt for veterans housing	200	220	335	40	45	50
General government:						
Credits and deductions for political contributions				275	295	290

Table G–2. **REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES BY FUNCTION—Continued**

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1984	1985	1986	1984	1985	1986
General purpose fiscal assistance:						
Exclusion of interest on public purpose State and local debt	6,235	6,755	7,320	1,895	2,030	2,170
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes				20,895	22,520	24,650
Tax credit for corporations receiving income from doing business in United States possessions	1,310	1,440	1,585			
Interest:						
Deferral of interest on savings bonds				720	770	825

* $2.5 million or less. All estimates have been rounded to the nearest $5 million.

[1] In addition, the exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts of $215 million in 1984, $270 million in 1985, and $305 million in 1986.

[2] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays is: 1984, $1,120 million; 1985, $1,041 million; 1986, $1,165 million.